a super start
setting up for your future

Super Update

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Welcome to *Super Update*, the newsletter for the Heidelberg Australia Superannuation Fund that keeps you up to date with what's happening with your super. If you have any suggestions for articles in future issues of *Super Update*, please pass them on to one of the Fund's Policy Committee members.

Policy Committee changes

The number of positions on the Policy Committee has been reduced from four to two, reflecting the changing size of the Fund.

Noel Renwick and Guy Williamson have resigned from the Policy Committee. We thank them for their valuable contribution to the Fund over the years. Noel, in particular, has served the Fund for around 16 years as both a Trustee Director and more recently a member-elected Policy Committee member. His knowledge and commitment to the Fund will be missed.

Con Xanthos and Ashad Perera will continue as Policy Committee members. Their contact details can be found overleaf should you have general questions about the Fund.

How your super is performing

The Fund's investments have had another solid year, providing members with some good investment returns particularly in light of the current low inflation environment.

Share markets around the world ended the year with falls due to uncertain economic conditions, particularly in Europe. However, over the year to 30 June 2015, Australian shares performed reasonably, returning 5.6% according to the S&P/ASX 300 Accumulation Index. International shares performed strongly over the same period, returning 25.2% in unhedged Australian dollar terms as measured by the MSCI World ex Australia Accumulation Index. The other asset classes have also provided positive returns since July 2014.

The US economy's recovery is showing signs of slowing down, with after-tax US company profits falling for the second consecutive quarter. Growth in Europe continues at a sluggish pace. The focus of the market continues to be on negotiations between Greece and its creditors over the extension of its bailout programme. Chinese data points to weak market conditions, with the slowest growth in retail sales in nine years.

The Reserve Bank of Australia maintained the official cash rate at 2.0% at its June meeting to try to further encourage household spending and stimulate business investment which, in the March quarter, saw the largest single fall since 2009. One product of low interest rates is a booming residential property market. In response, the RBA has signalled that it (in conjunction with the Australian Prudential Regulation Authority) may seek other ways of cooling the housing market, such as tightening credit controls. Unemployment decreased slightly, from 6.4% in July 2014 to 6.0% in May 2015.

The Australian dollar started July 2014 at 94.20 US cents but fell progressively over the year to 76.80 US cents by 30 June 2015.

Although interest rates have fallen to historic lows, the decrease in bond yields has produced capital gains from bond holdings and resulted in steady returns from the Fund's fixed interest investments. However, at some point, interest rates will start rising. Just as falling bond yields have produced capital gains from bond holdings, increasing bond yields can result in capital losses on bond holdings. This was evidenced in the June 2015 quarter.

Interim returns for the year to 30 June 2015 for each of the Fund's investment options are shown in the table below. These returns are subject to independent audit. Final declared rates will be confirmed in the Fund's 2015 *Annual Report* and on your *Benefit Statement*.

Please remember that past performance is not necessarily a reliable indicator of future performance.

Investment option	Year to date (1 July 2014 to 30 June 2015)
Diversified Shares	9.6%
Growth	7.9%
Balanced	7.0%
Capital Stable	5.4%
Cash	2.1%

Note: Returns shown in the above table are net of taxes, investment fees and an allowance of 0.10% per year to build up the Fund's Operational Risk Financial Requirement reserve.

Budget update

The 2015 Federal Budget introduced new proposals, mainly around eligibility for the age pension, but did not suggest any changes to super or how contributions are taxed. The Government also announced its intention to scrap some of the 2014 Budget proposals which were not yet law. These changes may impact your retirement planning.

› From 1 July 2015, a person suffering from a terminal medical condition will be able to access their super benefits, if they have been certified as having less than 24 months to live. The time frame was previously 12 months.

› From 1 January 2017, changes will be made to the age pension assets test thresholds.

To qualify for a **full pension**, the current and new value of assets a person can have, in addition to their family home, are set out below.

	Current* threshold	New threshold from 1 January 2017
Single home owner	$202,000	$250,000
Couple home owners	$286,500	$375,000

Pensioners who do not own their own home will be allowed to add $200,000 to the new thresholds. For every additional $1,000 of assets over the above threshold, pension payments will be reduced by $3 (compared to the current reduction rate of $1.50) if the pensioner is assets test affected.

The current and new thresholds for the maximum value of assets a person can have on top of their family home in order to qualify for a **part pension**, are:

	Current* maximum	New maximum from 1 January 2017
Single home owner	$775,500	$547,000
Couple home owners	$1,151,500	$823,000

However, pensioners who lose out on the part pension as a result of the reduced thresholds will be able to keep their concession cards (i.e. the Commonwealth Seniors Health Card or Health Care Card).

* Current values at the date of the Budget announcement.

Scrapped changes

› The Government no longer intends to change the way the age pension is indexed.

› The age pension income test thresholds – the income test and deemed income test thresholds – will continue to be indexed with CPI. Last year's plans to freeze the income test threshold are now unlikely to proceed.

Withdrawing excess super contributions

The Government sets limits on the amount of super contributions which can be subject to concessional tax rates. There are separate caps for concessional contributions e.g. before-tax salary (by salary sacrifice) and non-concessional contributions (includes contributions from your after-tax salary).

Recent changes mean that if you exceed the non-concessional contributions cap#, the ATO will send you a form to give you a chance to withdraw the excess contributions from super, together with an amount of associated earnings. Your associated earnings is an amount the ATO calculates using a prescribed interest rate and will be included in your taxable income and taxed at your marginal tax rate. If you don't elect to withdraw all the excess contributions, they may be taxed at up to 47%, plus the Temporary Budget Repair Levy.

For more information, contact the Fund Administrator.

$180,000 per year. If you are under age 65, you can generally bring forward two years of caps to make total non-concessional contributions of up to $540,000 over three years from 1 July 2015 (but with reduced or nil contributions in the following two years).

Contact information

If you have a query about any of the information provided in this newsletter, or about your super, please contact Ashad Perera in the first instance on **(03) 9263 3374**. The other Policy Committee member, Con Xanthos, can also be contacted on **(03) 9263 3360**.

Alternatively, you can contact the Fund Administrator on **1800 127 953** or seek guidance from your personal financial adviser.

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