Pension update

From REI Super
Your Industry Super Fund

Inside:

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REISuper

An Industry SuperFund

More strong returns for your REI Super account

2016/17 was again a fascinating financial year in investments, with world political events influencing the course of markets, including the election of Donald Trump as the US President, bringing initially optimism as well as plenty of challenges and volatility to markets.

Against this backdrop, we have prudently managed the Fund's investments to continue to deliver very strong long-term returns to our members' accounts.

Our Pension Balanced option delivered a net investment return of 9.44% for the year, which was well in excess of its performance objective of inflation plus 3%.

And when measured over the five years to 30 June 2017, the Pension Balanced option has provided members with an average annual net return of 11.14% per annum.

See inside your member benefit statement for full details of the performance of all the Fund's investment options.

Some super changes

Members may be aware of various changes to super that took effect on 1 July this year. The amount that can be held in a super pension account is now capped at $1.6 million. And the government has placed lower caps on amounts that can be contributed to super both before tax and after tax. See the information overleaf for more details.

Past returns are no guarantee of future performance, and investment returns of less than one year should not be relied upon as any guide to future performance.

Did you know you can get personal financial advice from REI Super?

Remember that as a member of REI Super you can access personal financial advice - and that includes advice on how to maximise your superannuation savings and save on tax. You can have an advice appointment in person, over the phone or via live video link.

Contact us to make your appointment to take advantage of this great service.

Yours sincerely,

Mal Smith
Chief Executive Officer

Making the most of your Pension

We make your pension go further

By keeping fees low, maintaining a record of strong investment performance and delivering a high degree of personalised service.

Investment control at your fingertips

With ten Investment options on offer, covering all the major asset classes, you have control of your pension.

Choose your payment amounts and frequency

You can choose between monthly, quarterly and annual payments and amounts within government limits. The maximum payment for a Transition To Retirement (TTR) Pension is 10% of the balance in any one year. There is no limit on payments if you have reached Retirement Pension age of 60.

Tax effective regular income

From your preservation age up to age 59 the income you receive from your pension will be taxed concessionally (less 15%).

The income you receive from age 60 and above is tax-free.

Once your super is in a Retirement Pension all investment earnings are tax-free.

(Note that since 1 July 2017, investment earnings in a TTR Pension are taxed the same as investment earnings in is a normal accumulation account in a super fund.)

Financial advice is just a phone call away

From super advice over the phone, through to comprehensive face-to-face advice, we're there for you.

Tick the boxes - to SUPERCHARGE your pension

We've made it easy to cover off all the little (and big) things that get your pension on track and invested the way you need.

Go to reisuper.com.au/pension-checklist and get started today

To find out more, go to **reisuper.com.au/pension-checklist** or call **1300 13 44 33**.

Shaun Cossart-Walsh
from REI Super's financial advice team.

30 minutes with an adviser

We chatted to Shaun Cossart-Walsh, a member of REI Super's financial advice team, to hear his thoughts on current topics of interest to people who are drawing a retirement income.

What do you think are the most significant changes that came into effect on 1 July for super and pensions?

The introduction of the $1.6M transfer balance cap, the change to the tax status of Transition to Retirement (TTR) pensions, and cuts to both concessional (before tax) and non-concessional (after tax) contributions to super are significant changes and provide new challenges to members to build their super quickly. For many people they could mean they have a longer run up to retirement and/or a need to make additional contributions earlier to reach their saving goals.

What, if anything, should members be aware of and consider or change right away?

The first thing members need to be aware of is that concessional (before tax) contribution limits have dropped from $35,000 p.a. to $25,000 p.a. If they have been contributing to maximum levels, as is often the case for TTR pension members, they will need to contact payroll and make those adjustments.

And it's important to do this early, otherwise it may affect the ability of the employer to make their obligatory 9.5% SG contribution later in the year. Make allowance for pay rises and bonuses too, and look to making the bulk of contributions later in the year around May or June to manage the good years and stay within limits.

Does this change the thinking around Transition to Retirement strategies?

Yes most definitely, with the new 15% tax on investment earnings and lowering of contribution levels the tax savings are less pronounced. That said it is still a great salary sacrifice strategy and has potential to get lump sums across to a spouse and/or build greater levels of non-concessional funds in super. Members really need to speak to their adviser and accountant to be sure this continues to be the best strategy for them now.

With the new $1.6M account balance limit on pensions, what happens if a member has more than that in super?

No problem. You can commence a pension with the maximum contribution of $1.6M and leave the balance in your super account. If you have a pension now with more than the $1.6M invested, you can move the excess back to your super account and keep those funds in a concessionally taxed environment. Once you are aged 60, pension payments and lump sums from super are personally tax-free.

Is there anything else members should be aware of?

Yes there are quite a number of changes that directly impact super and pensions and can make a big difference to super outcomes for individuals and their dependants. Things like removal of the work test for people aged over 65 who are making up to $300,000 contributions to super following the sale of their home, removal of anti-detriment provisions and the introduction of catch up concessional contributions to name a few.

One of the big considerations for members nearing the government Age Pension age is not so much a superannuation one but a Centrelink one, and that is meeting the assets test with its new lower limits.

All of these things are complex and require quite specific advice to manage and or benefit from, and no two people's circumstances are exactly the same. I can only recommend everyone seek advice from their financial adviser and/or accountant to make the most of their situation.

Investment and performance update

11.14%

5-year average annual net investment return for the Pension Balanced option.

With the election of Donald Trump as US President in November 2016, share markets produced some interesting and volatile results over the financial year, and it was certainly a period that required active investment management.

The financial year was one of two distinct halves:

- In the first six months – two things drove Australian and US share markets: growth in commodity markets and the initial enthusiasm around the election of the Trump Administration, with talk of increased infrastructure spending, economic stimulus, and improved consumer confidence.
- In the second six months – as the reality of the new Administration became apparent, US and Australian markets were much softer. During this time, more promising investment signs emerged from European, Japanese and emerging markets.

Unlisted property and infrastructure continued to perform well.

With listed property (AREITs), historically high asset values came under pressure as investors focused on the likely effect of higher interest rates in the future on these assets. Listed property (as measured by the S&P ASX 200 Index) declined by over 6% during the financial year.

Our decision to progressively reduce our exposure in Australian listed property from around 6% to under 1% by the end of the financial year helped cushion the portfolio from this correction in valuation.

Strong returns for members

Very pleasingly, REI Super's Pension Balanced option delivered a net investment return of 9.44% for the financial year to 30 June 2017, well in excess of its performance objective of inflation (CPI) plus 3%.

When measured over five years, the Pension Balanced option has provided an average net investment return of 11.14% per annum.

This is a great result for REI Super members and testament to the benefits of our disciplined strategy of investing in assets that are well-priced and that have a high level of potential to provide excellent long-term returns for members, with an acceptable level of risk.

Future investment performance can vary from past performance, and you should not base your decision to invest in REI Super simply on past performance.
Past earning rates are not an indicator of future earning rates. The investment returns of REI Super are not guaranteed, and the value of the investment may rise or fall.

David and Sue Florance
REI Super Pension Members

Changes to Pensions

What will they mean for you?

Lower contribution limits, new taxes and tax thresholds, and new limits for pensions are among several changes to superannuation rules that came into effect on 1 July 2017.

The most significant of these changes for Pensions are:

Introduction of a transfer balance cap

This is the amount you can have in a Pension account or the amount you can transfer from your super account to a pension account. As of 1 July 2017, this has been capped at $1.6 million. Previously there was no limit.

Members who had more than $1.6 million in a pension account at 1 July 2017 have been required to take out the excess amount and transfer it back to a superannuation account or withdraw the amount from super. Amounts above the $1.6 million cap will now have to pay tax on the notional earnings related to that excess.

Tax-exempt status removed for TTR pension

Previously all earnings within Transition To Retirement Pensions were tax-free. They will now be treated the same as accumulation accounts in super, with earnings taxed at 15%.

Abolition of anti detriment payments

This was a top-up payment as part of a death benefit where the beneficiary was a dependant. The top-up amount was a refund of the member's lifetime superannuation tax payments into an estate.

New cap on concessional contributions (employer contributions and salary sacrifice)

This is now $25,000 p.a. regardless of age.

Improved access to concessional contributions

Everyone under 65 or up to 74 who meets the work test is now able to claim a concessional tax contribution up to the $25,000 threshold.

Lower non concessional (after tax) contribution limits

Previously limits were $180,000 p.a., with the ability to contribute up $540,000 over three years in advance. These limits have been reduced to $100,000 p.a. and $300,000 over three years, provided you are less than 65 years of age and your balance is less than $1.6 million.

Other changes include:

- A shift from the Low Income Super Contribution (LISC) to a new scheme with lower thresholds.
- Lower thresholds for high income earners paying additional contributions tax, down from incomes of over $300,000 p.a. to incomes of over $250,000 p.a.
- From 1 July 2018 you will be able to make 'catch up' concessional contribution payments for amounts under the contributions cap within a five-year period.

Get your pension sorted at reisuper.com.au/pension-checklist

We've made it easy to cover off on all the little (and big) things to keep your Pension on track, get you invested the way you need, keep you informed and keep your details current and up to date.

Use our easy to follow checklist to guide you through and to get the information you need, and the links to resources so you can take action. It's easy and it won't take long to supercharge your Pension.

The upside to down sizing with a TTR (Transition to Retirement) pension

Meet Rob Collins, Commercial agent, married, 3 daughters, 2 ½ grand children, REI Super member for over 25 years, with his sights set firmly on retirement.

'I've been a member since joining the industry in 1992. Over time, there was incentive to move to other funds, but I've always chosen to stay with REI Super. In fact, I've rolled other super that I had into my REI Super account.'

'Over the years, my wife and I have taken advantage of financial advice the fund provides, and this has put us in good stead. We downsized the family home a few years back. There is still lots of room for grandkids and family gatherings, just less land under management, with no grass to cut and it let us top up our super.'

'Last year I had a bit of a milestone, turning 60. That was the trigger to seek advice again, and this time it was to help us both open a TTR. We both work part time now, we've invested in a caravan and a new car, and are looking forward to time away with full time retirement not too far off.'

'We are doing a test run to retirement early next year, taking off in the van on extended long service leave. Who knows, if we really enjoy it, we may just keep on going.'

Rob Collins
REI Super TTR Pension member

If you've got questions – we have answers

Contact us any time Mon-Fri 8:30am to 7pm AEST

Visit **reisuper.com.au** or call **1300 13 44 33**

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