

Combined Schools Superannuation Fund Newsletter

Vol.
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21

Investment Commentary

- Strong September quarter
- \$A weakens a little but still strong
- Property starting to underperform

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The September quarter saw equity markets perform strongly with the Australian market doing better than its global counterparts. The economy remains strong, as does consumer confidence, whilst unemployment is low by recent standards.

The Australian share sector rose overall by 6.2% in the quarter, with Small Cap stocks going up in excess of 16%.

Listed property trusts were down 4.2% and the sector generally seems to be slowing, after a very good run over recent years. Increases in interest rates will, of course, have a subduing effect, until these have worked their way through the system over the next 6-9 months. Fixed interest investments will be affected by the increase in interest rates, as their value will fall as rates rise and some investors may sell down this sector and move into cash, until some stability returns.

The \$A weakened marginally during the quarter but has had a strong rise since the start of the year and continues to maintain a strong relativity to the \$US. Good news for Australian tourists going abroad but not so good for our exporters who are receiving fewer \$A's for their product.

Don't Say You Weren't Told!

The chief executive of the Association of Superannuation Funds of Australia, Philippa Smith, says there is growing evidence of the need to boost retirement savings.

"The super guarantee is still a maturing policy, so we are a long way from meeting expectations," Smith says. "We need to take action now to remedy the situation before Australia finds itself with a large chunk of the population – the baby boomers – reaching retirement with inadequate resources."

Jennifer Brookhouse, Technical Manager of financial planner Ipac says that those who rely solely on the 9 per cent compulsory superannuation guarantee currently paid by employers will struggle.

"Unless you want a very basic retirement that is partially funded by the age pension, the 9 per cent is not enough." People should start planning for retirement from the time they enter the full-time workforce, to take advantage of compounding interest.

People actually spend more time planning their annual holidays than their finances. It is a worry because the key to having a successfully funded retirement isn't about how much you earn,

but how you save, how you use those savings and how well you plan.

The first step to successful retirement planning is to decide how you want to spend your "golden years" (ie what standard of living do you want?).

The next step is to understand what you need to save to achieve that.

And that is followed up by reviewing what you are currently saving, what (if any) shortfall there is and how is this latter item addressed.

Ipac estimates that, (assuming you own your own house) a super retirement fund paying \$18,000 a year means living an "age pension lifestyle". \$25,000 will allow you to maintain your home, run a small car and take a holiday in Australia every year.

Those on \$40,000 a year will be able to maintain their home, run a medium-sized car and travel overseas once a year.

[Editors note: The "overseas travel" would have to be on a shoestring!]"

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Check out some of the following figures and then do your own figures from our Website calculator.

How much superannuation you need to retire...

Retirement Income*	Age now			
	30	40	50	60
\$20,000	\$672,000	\$501,000	\$373,000	\$278,000
\$30,000	\$1,008,000	\$751,000	\$559,000	\$417,000
\$50,000	\$1,680,000	\$1,253,000	\$932,000	\$695,000
\$75,000	\$2,520,000	\$1,879,000	\$1,399,000	\$1,042,000
\$100,000	\$3,360,000	\$2,505,000	\$1,865,000	\$1,390,000

...and what you need to add to get there

Retirement Income*	Age now			
	30	40	50	60
Existing Super	\$15,000	\$50,000	\$100,000	\$200,000

Annual "Top Up" to Super Required Above the Super Guarantee

\$30,000	\$774	\$2,471	\$6,792	\$22,102
\$50,000	\$4,796	\$9,556	\$21,407	\$75,878
\$75,000	\$9,824	\$18,394	\$39,704	\$143,000
\$100,000	\$14,852	\$27,231	\$57,962	\$210,316

*Note: Calculations assume investments earn 7% after tax, CPI at 3%, average yearly earnings of \$47,777.60 growing at 3%; Retiring at 65 with a life expectancy of 81. Also, super contributions tax remains at 15% and no surcharge is payable.

The Superannuation Surcharge

This has been a bone of contention for some years, as politicians have ducked and weaved over its ramifications.

A compromise was finally agreed and passed through Parliament on 27 October.

The current top rate of 15% surcharge will reduce to:

- 14.5% backdated to 1 July 2003
- 13.5% from 1 July 2004
- 12.5% from 1 July 2005

The surcharge currently kicks in at an Adjusted Taxable Income (ATI) of \$94,691 and reaches the top rate of 15% when ATI is \$114,981. ATI is your taxable income plus reportable fringe benefits and employer contributions (including salary sacrifice contributions).

Spouse Tax Rebate

If your wife, husband or de facto spouse does not earn an income or has assessable income of less than \$10,800 pa you can contribute into an account in the CSSF in their name and claim an 18% rebate on up to \$3,000 of contributions each year.

Think of the advantages:

- your spouse will have their **own** superannuation fund with:
 - choice of investments
 - access to heavily discounted group insurance premiums
 - low fees; and
 - no entry cost for transfers of money from rollover funds
- an attractive rebate on **your** personal tax bill (up to \$540)
- **no** 15% contributions tax and **no** surcharge on contributions
- no tax on the eventual cash payout from the fund.

Contact the Fund Administrator on (03) 9691 2900 for details of the CSSF spouse account.

The Combined Fund

As previously advised, this will be the new name of the Fund as from 30 December 2003. This will enable us to issue the annual Benefit Statements as at 31 December (usually forwarded to Members end March/early April) under our new banner.

Government superannuation co-contribution for low income earners

The Government co-contribution applies to personal contributions made by low income earners from 1 July 2003 onwards and replaces the current taxation offset that low income earners can claim for their personal superannuation contributions.

For the current tax year, you may be entitled to a Government co-contribution if you:

- **make personal contributions** to obtain superannuation benefits for yourself to a complying superannuation fund (provided the contributions were not salary sacrifice contributions);
- **lodge an income tax return** for the financial year
- are a **low income earner** (your assessable income and reportable fringe benefits are less than \$40,000 in the financial year).

What amount of co-contribution is provided?

The amount of co-contribution that you will receive depends on your income and the personal contributions that you made during the financial year. The maximum amount of co-contribution for a financial year is \$1,000 and is available to people on incomes of \$27,500 or less. The maximum amount phases out by 8 cents per dollar of income up to an income of \$40,000, when it phases out completely.

The following table shows the co-contribution amounts payable for people on a range of salaries that will result from a \$500 or a \$1,000 personal contribution to superannuation.

Assessable income plus reportable fringe benefits	\$500 contribution	\$1,000 contribution or more
\$27,500 or less	\$500	\$1,000
\$30,000	\$500	\$800
\$32,000	\$500	\$640
\$34,000	\$480	\$480
\$36,000	\$320	\$320
\$38,000	\$160	\$160
\$40,000 or more	\$0	\$0

You do not need to apply as the Tax Office will work out if you are entitled to receive a co-contribution using information from your superannuation fund and your tax return. You **must** lodge an income tax return to receive a co-contribution, which will be paid directly into your superannuation account.

A few more schoolboy (or perhaps school-girl) howlers!

Delegates from the original 13 states formed the Contented Congress. Thomas Jefferson, a Virgin, and Benjamin Franklin were two signers of the Declaration of Independence. Franklin discovered electricity by rubbing two cats backward and declared, "A horse divided against itself cannot stand" Franklin died in 1790 and is still dead.

Abraham Lincoln became America's greatest Precedent. Lincoln's mother died in infancy, and he was born in a log cabin which he built with his own hands. Abraham Lincoln freed the slaves by signing the Emasculation Proclamation.

On the night of April 14, 1865, Lincoln went to the theater and got shot in his seat by one of the actors in a moving picture show. They believe the assassin was John Wilkes Booth, a supposedly insane actor. This ruined Booth's career.

Johann Bach wrote a great many musical compositions and had a large number of children. In between, he practiced on an old spinster which he kept up in his attic. Bach died from 1750 to the present. Bach was the most famous composer in the world and so was Handel. Handel was half German, half Italian, and half English. He was very large.

Beethoven wrote music even though he was deaf. He was so deaf he wrote loud music. He took long walks in the forest even when everyone was calling for him. Beethoven expired in 1827 and later died for this.

The nineteenth century was a time of a great many thoughts and inventions. People stopped reproducing by hand and started reproducing by machine. The invention of the steamboat caused a network of rivers to spring up. Cyrus McCormick invented the McCormick reaper, which did the work of a hundred men. Louis Pasteur discovered a cure for rabbits.

Pick the Index Competition

Our last Quarter's competition, to predict the S&P/ASX 300 Index closing figure at 31 October 2003, was won by **Yurgen Weller** from **Yarra Valley**. The index was 3277.9 and Yurgen's entry was the closest.

Here we go again.

As at 31 October 2003, the S&P/ASX300 Index was

3277.9

Fax this page before 15 January 2004 to Group Benefits Pty Ltd, the Administrator of the Fund on (03) 9640 0787.

GB S&P/ASX 300 Index Competition

NAME: _____

SCHOOL: _____

PHONE: _____

My estimate of the S&P/ASX300 Index as at 31 January 2004 is:

The winner will receive a voucher for an all-inclusive "Dinner for Two" at a 5 star Restaurant of their choice and a one year subscription to Personal Investment Magazine.

Member Investment Options – Unit Prices

The following are the respective Unit Prices for each Investment Option, as at 31 October 2003:

	Unit Price		%
	31/12/2002	31/10/2003	
Australian Shares	1.40411	1.55819	11.0%
International Shares	0.81672	0.82212	0.7%
Fixed Interest	1.21801	1.25583	3.1%
Property	1.42037	1.43204	0.8%
Balanced	1.20444	1.25182	4.9%
Capital Stable	1.20760	1.25488	3.9%
Ethical	1.08119	1.13319	4.8%
Cash	1.16584	1.20120	3.0%

Did You Know?

How to manage stress

The old adage, 'prevention is better than cure' is certainly true for stress management. The following may help you to combat stress, and if not – you'll get healthy along the way!

Exercise regularly – regular exercise is a great way to manage stress. You should do some form of exercise that causes you to feel puffed afterwards. A leisurely stroll to the bus stop is not enough! Have at least 20 minutes of exercise three times a week.

Avoid conflict – as much as you can, avoid situations that make you feel stressed as much as you can. Avoid unnecessary arguments and conflicts if you find them stressful (although ignoring a problem is not always the best way to reduce stress).

Relax – make sure you give yourself some time to relax each day and try to spend time with people who make you feel good about yourself.

Eat Well – a nutritious diet is important. Eat plenty of fresh fruit and vegetables and avoid sweet and fatty foods.

Sleep – a good sleep routine is essential. Do something calm and relaxing before you go to bed, like listening to music or reading, if you have difficulty falling asleep.

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A Merry Christmas
to all and a

Safe and Prosperous New Year