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The changes to superannuation announced by the Government on Budget night will dramatically improve retirement for most of the working population.

Not only will people have more money in retirement but also their retirement choices will be far simpler.

A summary of the Budget changes is provided in this newsletter.

However, before we get ahead of ourselves, it is worth remembering that the Budget announcements are not yet legislated and, whilst there is every likelihood that they will happen, they won't take effect until 1 July 2007.

So, let's concentrate upon more immediate changes and see how you can take advantage of them.

Income Tax Cuts From 1 July 2006

The personal tax cuts which were already due to take place from 1 July 2006 have been further improved and are summarised in the table at right:

Tax Rates for year ending 30 June 2006		Tax Rates to apply from 1 July 2006	
Assessable Income (\$)	Taxed at (%)	Assessable Income (\$)	Taxed at (%)
First 6,000	Nil	First 6,000	Nil
6,001 – 21,600	15	6,001 – 25,000	15
21,601 – 63,000	30	25,001 – 75,000	30
63,001 – 95,000	42	75,001 – 150,000	40
95,000+	47	150,000+	45

For many people this will simply mean that their take-home pay will increase after 1 July 2006.

But there could be a much better alternative.

Example:

Jenny is 35 and has an annual salary of \$70,000. Her employer contributes 9% of her salary to Combined Fund and she has been thinking about making top-up contributions by salary sacrifice.

From 1 July, the tax cut means that her take-home pay will increase by \$26 a week. She is managing quite well already on her current pay and knows that the extra \$26 will just disappear on day to day spending unless she sets it aside.

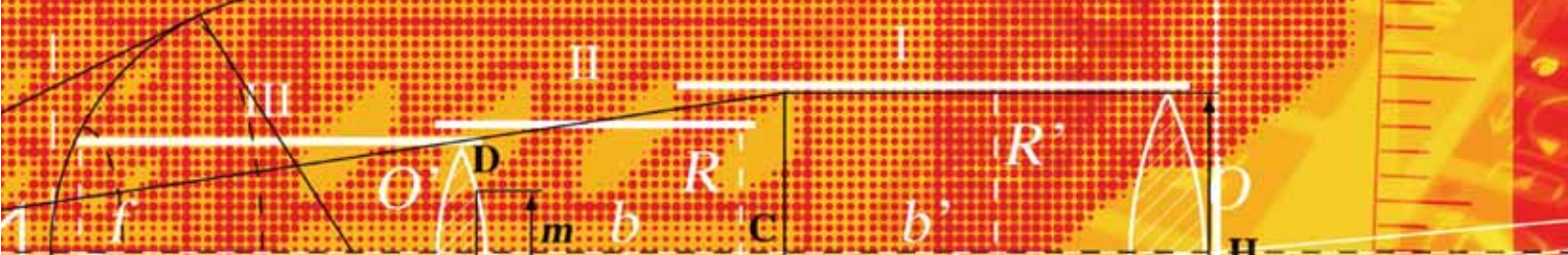
If Jenny salary sacrifices just that \$26 a week, she'll finish up with almost \$8 per week more take home pay after 1 July than she had before July and be better off at retirement.

However, she finds out from the pay office that if she contributes \$37 a week by salary sacrifice to Combined Fund after 1 July, she will still finish up with the same take-home pay that she earns now. She can do this because her salary sacrifice contributions are taxed at only 15% instead of her personal tax rate of 30%.

Even better, if she continues to contribute the \$37 a week for the next 25 years to age 60, she will have accumulated an extra \$130,473 **tax-free** for her retirement.

Assumptions:

- ▶ Future average earning rate in the Fund of 8% pa. At a 10% pa return, Jenny would have an extra \$182,332 tax-free at retirement.



Assumptions continued:

- ▶ Contributions are paid monthly to the Fund and are subject to 15% contributions tax.
- ▶ No benefit tax payable after age 60 in accordance with the 2006 Budget announcements.

Sounds good, doesn't it? Talk to your pay office about salary sacrificing the 1 July 2006 tax saving or give us a call at Combined Fund and we can discuss it with you. See the table below for more examples.

Taxable Salary	Current Annual Tax	From 1 July 2006		
		New Annual Tax	Annual Saving	
			Extra Take-home Pay	Extra Super
\$	\$	\$	\$	\$
30,000	4,860	4,350	510	730
40,000	7,860	7,350	510	730
50,000	10,860	10,350	510	730
60,000	13,860	13,350	510	730
70,000	17,700	16,350	1,350	1,930
80,000	21,900	19,850	2,050	3,400
90,000	26,100	23,850	2,250	3,750
100,000	30,550	27,850	2,700	4,500
125,000	42,300	37,850	4,450	7,420
150,000	54,050	47,850	6,200	10,330

Contribution Splitting (still a good idea for some)

In our previous newsletter we covered the significant tax benefits of splitting your employer and salary sacrifice contributions with your spouse.

Contribution splitting **in respect of contributions made between 1 January and 30 June 2006** can be arranged with Combined Fund any time after 1 July 2006 but ceases after 30 June 2007.

However, if the Budget changes go ahead as proposed, contribution splitting will be largely unnecessary for most people – **unless you are intending to retire before age 60.**

“The Biggest Legal Tax Dodge Around”

That's how the Australian Financial Review described the Government co-contribution in its 28 May 2006 cover story on the secrets of superannuation.

There's no doubt that since it was introduced three years ago, the co-contribution has been extremely popular with those who are eligible to receive it (Australian residents under age 71 who earn at least 10% of their income from employment and whose assessable income is less than \$58,000 pa).

Remember, if you want a Government co-contribution for this tax year we must receive your personal contribution by no later than 30 June. See the enclosed summary for more details.

The Budget Changes to Superannuation

The Government's fourteen proposed changes will not only have an enormous impact on the amount of money people have at retirement but also on how their financial affairs are arranged. The main changes are:

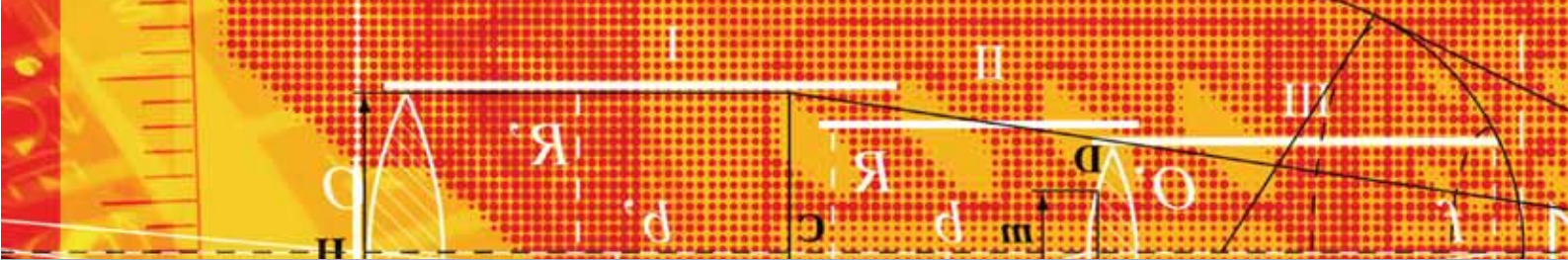
- From age 60 onwards, all benefit payments will be tax-free whether paid as a lump sum or as a pension.
- Under the new simplified pension rules there will no longer be a maximum amount which can be withdrawn each year and, as long as a simplified minimum amount is withdrawn, all investment income will be tax-free.
- Retirement savings can remain in your fund account until your eventual death – whether or not you are taking pension payments.
- There will no longer be a maximum limit on how much you can accrue in your fund.

These changes will mean that retirees will generally have far more money available at retirement. However, it will also mean that few people will take a lump sum at retirement.

After all, why take a lump sum payment at retirement when you can have a pension account that provides tax-free investment income, the flexibility of a regular tax-free pension income and tax-free cash payments at call?

We are likely to see a trend emerge whereby retirees will close other savings accounts after age 60 and put that money into their superannuation account (in order to take advantage of the tax-free investment income).

Also, with the prospect of tax savings on income and unlimited tax-free benefits at retirement, we expect to see a significant increase in the number of people making salary sacrifice contributions, as well as an increase in the amounts already being contributed.



The Government will be imposing limits upon the amount which can be contributed by salary sacrifice (\$50,000pa including other employer contributions) and the amount which can be transferred from non-superannuation savings (\$150,000pa) but higher transitional limits will apply.

Various other changes have been announced and we will cover them in more detail in later newsletters.

In the meantime, one proposed change has received very little interest in the press but is likely to provide a tax saving for members who retire **before** age 60. However, it only applies to some members who were in the workforce before 1983.

Sometime between now and 1 July 2007, the Government intends to change the tax treatment of pre-1983 benefits. We will be writing separately to those for whom we have pre-1983 service recorded.

If you have money in other superannuation funds which arose from employment commencing before 1983 or, if you contributed to a personal superannuation policy before 1983, please contact us to discuss the action you must take. Unless we have that earlier service recorded, your total benefits in Combined Fund may be subject to a higher tax if you retire before age 60.

Consolidating Your Super Funds

If you have changed jobs since 1983 it is likely that you belong to more than one fund. The average Australian worker has money in three separate superannuation or rollover funds.

You can transfer all of your superannuation savings into Combined Fund with no entry fees. Consolidating your superannuation benefits in this way will provide you with the following benefits:

- Potentially save on multiple account-keeping fees.
- Less paperwork and correspondence.
- One statement showing your **total** superannuation investments.
- The ability to diversify your investments through one consolidated source.
- A centralised contact for your total superannuation benefits.
- Ongoing access to non-preserved benefits. If you have non-preserved money in another fund that you can withdraw at any time, you will still have the same access to that money if you transfer it to Combined Fund.
- If you were employed prior to July 1983 and you are still with that employer, or you rolled over a superannuation payment from that employer, you are likely to have a pre-July 1983 service component.

This means that, if you consolidate your superannuation benefits, the pre-July 1983 service component can be applied to your total superannuation benefits, resulting in you paying less tax if you cash in your benefit before age 60.

What can you do?

To take advantage of this opportunity to consolidate your superannuation monies into one centralised account, please provide the details of each of your accounts using the Transfer Authority Form which is included with this newsletter. This form should then be returned to Combined Fund at the following address:

GPO Box 4559
Melbourne Vic 3001

Complete a separate Transfer Authority Form for each fund in which you have money and we will take care of the rest. Photocopies of the form are acceptable.

For further information contact the Fund Administrator, Craig Mason, on (03) 9691 2900 or toll free on 1800 200 801.

IMPORTANT NOTES:

- *Some personal superannuation funds impose severe termination penalties if you transfer to another fund. You should ask the fund which you are transferring from if any penalties apply before you complete the form to transfer that money.*
- *If you are having trouble tracking down all of your superannuation accounts, you may be able to obtain details from the Tax Office. Ring 13 28 65, press 1 at the prompt and then press 2 at the next prompt. You will be asked to quote your Tax File Number and date of birth.*

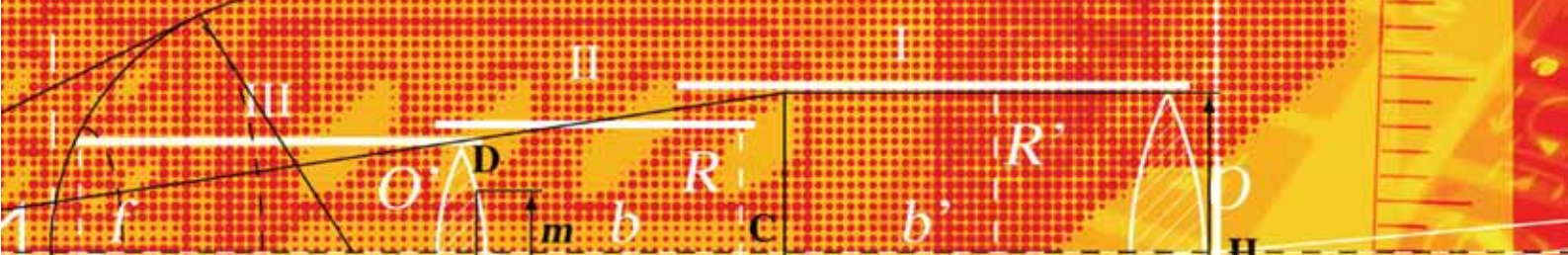
2006 Member Survey

We were delighted with the responses to the Survey and have noted your comments.

Unfortunately, whilst some members asked us to send more information regarding various aspects of the Fund, almost all surveys were submitted anonymously and, unless you gave us your name and address (on the survey form or on the back of the reply-paid envelope), we don't know who you are.

That's disappointing because we'd like to be able to respond. So, if you asked us to send you something and you haven't received it yet, please let us know and we'll get it to you as soon as possible.

Also, whilst over 80% of respondents indicated attendance at one of our information sessions in the past year, a number of respondents asked if we could arrange a session at their school or workplace. All sessions are arranged on a group basis with employers, so please talk to your bursar, business manager or HR manager about arranging for us to visit your workplace.



Member Investment Options – Unit Prices

The following are the respective Unit Prices and returns for each Investment Option as at 30 April 2006:

Investment Option	Unit Price 30/4/06	Returns – Increase (Decrease)	
		12 months to 30/4/06	5 years to 30/4/06
Australian Shares	2.56629	28.88	13.26
International Shares	1.09668	23.14	-1.65
Fixed Interest	1.44765	5.18	5.59
Property	1.91545	9.64	10.11
Balanced	1.76922	18.62	7.55
Capital Stable	1.55631	10.10	6.31
SRI*	1.63666	22.93	5.76
Cash	1.34306	4.54	4.08
Growth (since 1 July 2005)	1.18302	18.30 (10 mth return)	N/A

* The Sustainable Responsible Investment (SRI) option follows a balanced approach to investment and, with effect from 1 April 2006, replaced the former Ethical Shares option which operated on a 100% allocation to Australian shares.

May 2006 unit prices will be available after 15 June 2006.

Allocated Pension prices will differ from those shown above due to the more preferential tax treatment of pension investments.

See our website www.combinedfund.com.au for more details.

Index Competition

The winner of our last "Pick the Index" competition was Peter Ray of Maffra Primary School. Peter's prediction was closest to the S&P/ASX300 Index as at 31 March 2006 (5127.2).

Peter's entry was also the most optimistic of all entries for the competition with predictions varying from a low of 4525 up to Peter's prediction of 5061.2.

What do you think will happen to the Australian sharemarket between now and 31 August 2006?

To predict the index as at 31 August 2006, complete the details below and fax this page by 31 July 2006 to the Fund Administrator on (03) 9640 0787.

Combined Fund S&P/ASX300 Index Competition

Name: _____

Employer: _____

Phone: _____

My estimate of the S&P/ASX 300 Index as at 31 August 2006 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 the Australian Financial Review's Smart Investor magazine.

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