

## IN THIS ISSUE:

- HOW DOES MY FUND WORK? – YOUR QUESTIONS ANSWERED
- UNIT PRICES AND RETURNS
- INDEX COMPETITION
- CHRISTMAS GREETINGS



## How does my Fund work?

Those of us who work in the superannuation industry tend to take certain things for granted. When you are dealing with superannuation virtually every day, it's easy to forget that it can be very complex and confusing.

So – for this newsletter, we thought that we would include some answers to the questions we are asked most frequently. Hopefully, the answers will give you a better insight into how Combined Fund works.

But remember – if you have a question about the Fund at any time (or about super in general), we're only a phone call away (1800 200 801).

## A lifetime Fund

It's worth mentioning at the outset that Combined Fund can be the super fund you use for the rest of your life.

In fact, we can be together in sickness and in health until death us do part!

You normally join Combined Fund as an employee of a contributing employer or as the spouse of a member. However, once you are in, you can stay in – even if you leave your employer, retire, semi-retire or become temporarily or permanently disabled.

No matter how many employers you might have in the future, all of them can contribute to your Combined Fund account. Well – at least, all of the Australian employers can. Overseas employment is a little trickier.

Even if you become self-employed or are out of the paid workforce, you can still contribute to Combined Fund up to age 65. After that, you must meet a work test.

Your employer must contribute to a super fund on your behalf in any month that you earn at least \$450 from that employment – up to age 70. But there is no compulsory personal contribution (unless through a specific arrangement with your employer). You can stop and start personal contributions whenever you like.

## How much do I need at retirement?

This is probably the hardest question to answer. A lot depends on your spending habits and the age at which you retire (the earlier you retire, the more money you will need).

However, many in the superannuation industry suggest that you should aim for an income of around 60% of the salary you were earning prior to retirement.

To produce a retirement income of about 60% of salary (without allowing for any Government Age Pension) you will need total savings of around 10 times your salary.

For example, if you are retiring at age 65 today and your salary is \$60,000 pa, you would aim for a retirement income of \$36,000 pa (60%). In order to produce an annual income of \$36,000, you would need total savings of about \$600,000 (10 times \$60,000).

## Contributions

### ► How much should I be contributing?

Employers contribute at least 9% of employees' salaries under the Government's Superannuation Guarantee. However, it's really not enough to provide a comfortable retirement and the generally accepted total figure is at least 15% of salary.

That means you contribute 6% of your salary (unless your employer contributes more than 9%). Those who are closer to retirement will generally need to contribute more than 6%. A lot more in some cases.

Our website calculator will give you a better idea of how much to contribute ([www.combinedfund.com.au](http://www.combinedfund.com.au)). Click on Website Access (top right of website screen) and then click on Calculators (halfway down left side of screen). Go to "How much to contribute" and, by inputting your current details, you can determine how much you should be aiming to contribute.

You may get a shock but at least you'll be sitting down.

### ► What's the best way to contribute?

There are four ways to contribute to a super fund and some of those are better than others depending on your particular circumstances.

For many, salary sacrifice is the best option but, in some cases, after-tax contributions may be better (or a combination of the two).

We'll cover this in more detail in the next newsletter.

## Leaving service

### ► I've left my employer. Can I stay with Combined Fund?

Yes – in fact, under new Government rules, you can keep your account in Combined Fund for the rest of your life (under the old rules, you had to cash out your benefits by a specified age).

### ► Can my new employer contribute to my Combined Fund account?

Yes – and the process is very simple.



Unlike many other funds, Combined Fund does not require your new employer to sign a complex agreement which contains a range of obligations. Instead, we simply provide you with information to give to your employer showing how to contribute on your behalf (bank account details, etc). A specimen of this Employer Information Notice is included with this Newsletter.

You complete your details and sign the form – then give it to your new employer.

### ► I left my employer a few months ago. Why haven't I heard from you about my super benefits?

From time to time, employers forget to tell us that an employee has left service. Most often, it's casuals and contractors but, sometimes, it can be permanent staff too.

However, it's not a problem. Your investment earnings have continued in full in line with your investment choice and your level of insurance cover has also been maintained. The only difference is that contributions aren't being paid into your account for the time being (unless you've already arranged with a new employer to contribute to Combined Fund).

If you leave service, it's a good idea to let us know and we'll contact your employer. We have to get official notice that you have left service but we also need to get confirmation about any further contributions which are still due to be paid so that we can accurately calculate your account balance.

## Inactive accounts

### ► There have been no contributions to my Combined Fund account for some time. My employer contributes to another fund. Can I arrange for my employer to contribute to Combined Fund instead?

Certainly. Inactive accounts can be "reactivated" at any time. Give the completed Information Sheet for Employers to your employer and ask for future contributions to be paid to Combined Fund. It's as simple as that.

### ► Can I just contribute by myself?

Yes, you can. Anybody between ages 18 and 65 can contribute to super whether working or not. If you're not in the paid workforce, you may even be able to claim your contributions as a tax deduction.

Just send us a cheque (payable to Combined Fund) with details of your Fund account number (or your date of birth if you can't locate your account number) and we'll credit the contribution to your account.

## Retirement and semi-retirement

### ► Can I start taking benefits out of the Fund before I retire or do I have to stop working altogether?

Once you retire after age 55, you can transfer (at no cost) to a Retired Pension Account in Combined Fund.

This gives you flexibility of both amount and frequency of pension payments combined with a lump sum withdrawal facility. You can still choose from nine investment options and all investment

income is tax free. Many of our pensioners pay no tax on their pension income and, **from 1 July 2007, there will be no tax at all on pension or lump sum payments for those aged 60 and over.**

"Retirement" is defined as having ceased to be gainfully employed after age 55 and having no intention of working for 10 or more hours a week in the future.

**Whether retired or not after age 55**, you can transfer some or all of your account (at no cost) to a Semi-Retired Pension Account. If you reduce your working hours, the Government's Transition to Retirement rules allow you to supplement your reduced salary with pension payments and you can still receive employer contributions (including salary sacrifice).

**Warning:** Some financial advisers are promoting the idea that even if you are working **full time**, you can salary sacrifice a large part of your salary income and replace that income with tax friendly pension income. We are not convinced that working full time meets the Government's view of Transition to Retirement and would urge caution about following this strategy unless you have obtained a private ruling from the Tax Office.

If your adviser insists that this strategy has ATO approval, ask them to provide you with a copy of an ATO ruling on this matter.

## Transferring benefits from another fund

### ► I have money in other superannuation funds. How do I transfer it to Combined Fund? Is there a cost for transferring the money?

Firstly, there is no charge for transferring money into Combined Fund from another fund.

Secondly, there are two ways to arrange the transfer:

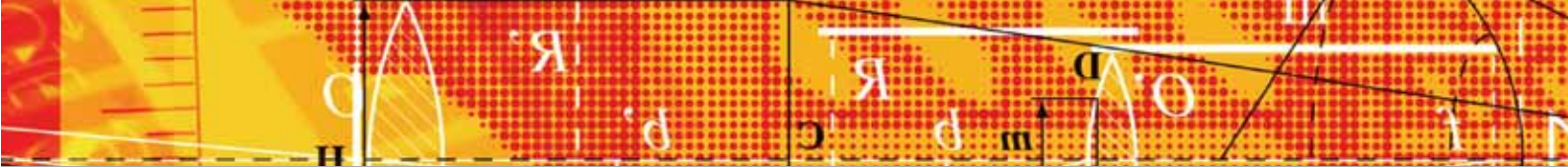
- ask the other fund to send you the forms they require to transfer the money. Complete those forms and return them to the other fund; **OR**
- complete a Combined Fund Transfer Authority Form. A form is included with this Newsletter. Use a separate form for each fund in which you have money. You can photocopy this form or download it from the Fund website (see back page). Once completed, the form can be sent direct to the other fund or you can send it to us and we will pass it on to the other fund for you.

NB: Some funds take a long time to transfer your money. If you have not had confirmation of the transfer within a month of sending your paperwork, you should contact us or the other fund to see what is happening.

*TIP: Some of the personal super funds managed by financial institutions impose severe penalties if you terminate your account with them. Before arranging the transfer, ring the Customer Service department of the fund and ask them to advise the following:*

- your current account balance;
- the transfer value if you transfer your account to another fund.

*We have seen cases of the transfer penalty for such policies being up to 57% of the value of the account.*



*If the transfer value is significantly lower than your account balance, contact us to discuss your options before arranging the transfer.*

► **I have lost track of some of my superannuation benefits. How can I find out if I have money in other funds?**

The Australian Tax Office maintains a register of “lost” members. Ring the 24-hour Tax Office self-help “Superseeker” line on 13 28 65 and follow the prompts. You will be asked for your Tax File Number.

Alternatively, you can log on to the Tax Office website at [www.ato.gov.au](http://www.ato.gov.au). Go to “For Superannuation” and click on “Find your lost super”.

Once you know where your “lost” money is, you can follow the procedure outlined above to arrange transfer to Combined Fund.

*TIP: Some organisations offer to track down lost super benefits for a fee. If you can do it yourself via the ATO’s helpline, why pay someone else just to use that helpline for you?*

► **If I transfer my benefits from other funds to Combined Fund, does that mean I’ll have “all of my eggs in one basket”?**

Based on current workforce numbers and the number of superannuation accounts, the average person has money in three super funds. The record for a Combined Fund member was 10 fund accounts (all of which have since been transferred to Combined Fund).

Most of the people we speak to with multiple accounts admit that they simply haven’t gotten around to consolidating those accounts yet. However, some with two accounts tell us that they don’t want all of their money in one fund.

Should you have just one account for all of your superannuation? There is no right or wrong answer. However, here are some points to consider:

- almost all super funds deduct a member fee or an account keeping fee from your fund account. The more funds you belong to, the more fees you pay;
- it’s easier to keep track of your super in one account;
- less paperwork and only one statement.

Here’s something else to think about. Twenty years ago, a typical superannuation fund was managed by one organisation which did everything – administration, investment, insurance, trusteeship, etc. All eggs were definitely “in one basket” then. Nowadays, the trustees of most super funds appoint specialists to look after each part of the fund’s operations. For example, Combined Fund uses 13 different investment managers to look after the investment of members’ retirement savings – each of them a specialist in a particular investment area eg. Australian shares, international shares, property, fixed interest, etc.

So – compared to the old days, your eggs are now very much in a wide range of baskets.

Something else to think about if you belong to more than one super fund. If you already had all of your superannuation savings in only

one fund now, would you transfer some of it to another fund just to “spread the risk”? If the answer is no, then why continue to have your money spread across more than one fund?

However, as already mentioned, there is no right or wrong answer but we are here to help if you wish to reduce the number of accounts you have.

## Transferring to another fund

► **I want to transfer my benefits to another super fund. How do I arrange it?**

Ask the other fund to give you a Transfer Request Form and a Letter of Compliance. Complete all of the details on that form and send it to us with the Letter of Compliance. Alternatively, give the completed transfer form to the other fund and they will send it to us.

We’ll then send you a Discharge Form to complete and return to us. Completion of that form is an acknowledgement from you that, as soon as your accrued benefit is transferred to the other fund, your insurance cover will cease and Combined Fund will not be liable for any further benefits.

*TIP: You should obtain written confirmation from the other fund that replacement insurance cover has been arranged before transferring your Combined Fund benefits to that fund.*

On receipt of the **fully completed** Transfer Request Form and Discharge form and the Letter of Compliance, we will transfer your account balance to the other fund and will close your account in Combined Fund.

► **Can I transfer some of my benefit to another fund but leave the rest with Combined Fund? If I do that, can my employer still contribute to Combined Fund?**

Yes, you can transfer some of your benefit to another fund but Government regulations stipulate that you must leave at least \$5000 in your Combined Fund account. However, your insurance cover will be cancelled unless you request in writing that it be maintained in Combined Fund.

If you do wish to maintain your insurance cover, premiums will continue to be deducted from your remaining account balance. If premiums due exceed your account balance, your cover will be cancelled unless you top-up your account with further contributions.

Your employer may continue to contribute to your Combined Fund account.

► **Under Choice of Fund, I arranged with my employer for future contributions to be paid to another fund. Why haven’t you transferred my Combined Fund account to that other fund?**

The Government’s Choice of Fund regulations only apply to future compulsory employer contributions (ie. the 9% Super Guarantee and any contributions under an industrial award or agreement). Those regulations don’t apply to your existing super benefits.

So – if you have asked your employer to contribute to another fund, that is simply an arrangement between you and your employer for future contributions. It does not cover any other superannuation benefits you already have.

The transfer of your account balance from one fund to another is governed by separate Portability regulations which require you personally to arrange the transfer with the fund (or funds) to which you belong.

## Death and disablement

### ► What happens to my super benefits if I die or become disabled?

This is a big topic and we will cover it in detail in a 2007 newsletter including life insurance cover and cover for temporary and permanent disability. In the meantime, please ring us if you have any questions.

However, the short answer to this question is that, if you die, your account balance and any insurance payment received on your behalf by the Fund is payable to your dependants as a lump sum – usually tax free.

If, as a result of illness or injury, you can never work again, your account balance is payable and there may also be an insured benefit payable. Some tax may be deducted from this lump sum payment.

If, as a result of illness or injury, you are unable to work, a monthly income benefit may also be payable if you have salary continuance insurance through Combined Fund. You must have been off work for at least three months before claim payments will begin and your claim must have been accepted by the insurer.

Whilst we are usually advised by your employer if you have been off work for an extended period, you should also contact us if it is likely that you will be unable to work for at least three months. That way, we can make arrangements for the insurer to review your claim as soon as possible and avoid delays in claim payment. This assumes, of course, that you have salary continuance insurance with us.

## The end – for now

Well – we've covered a lot of ground and congratulations if you made it this far. We need to cover contributions and insurance in a lot more detail but will leave that for another time. That's enough now for one newsletter.

## Member Investment Options – Unit Prices

The following are the respective Unit Prices and returns for each Investment Option as at 31 October 2006. As the Fund year ends on 31 December 2006, we have shown the Fund results for the year so far ie for the 10 months to 31 October 2006.

Investment Option	Unit Price 31/10/06 \$	Returns – Increase(decrease)	
		10 months to 31 Oct 2006 %	3 years to 31 Oct 2006 %
Australian Shares	2.70998	15.29	20.26
International Shares	1.12306	8.26	10.96
Fixed Interest	1.50131	5.44	6.13
Property	2.02844	10.00	12.31
Growth (80/20) (available since 1 July 2005)	1.23255	11.01	N/A
Balanced (70/30)	1.83884	9.79	13.68
Capital Stable (30/70)	1.61573	7.19	8.79
SRI* (74/26)	1.72570	10.68	15.05
Cash	1.37668	4.06	4.65

*\*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 had operated on a 100% allocation to Australian shares.*

The unit prices for Combined Fund pensions will differ from those shown above due to the more preferential tax treatment of pension investments.

See our website [www.combinedfund.com.au](http://www.combinedfund.com.au) for more details. By the time you receive this newsletter, the November unit price will be available.

## Competition

The current competition is to pick the S&P/ASX300 Index as at 31 December 2006.

Entries for that competition closed on 30 November and predictions varied from 5116.8 up to 5606.5.

We'll let you know the winner of the competition in our March newsletter (as well as details of the next competition). Shortly after 31 December, 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.

## Christmas greetings

May we take this opportunity to wish you and yours a very happy Christmas and a prosperous New Year (hopefully, with a bit more rain).

**Combined Fund** Level 9, 155 Queen Street, Melbourne VIC 3000 or GPO Box 4559 Melbourne VIC 3001  
T: (03) 9691 2900 F: (03) 9640 0787 E: [super@combinedfund.com.au](mailto:super@combinedfund.com.au) W: [www.combinedfund.com.au](http://www.combinedfund.com.au)

This Newsletter is intended to provide information and not advice. It should not be relied upon as advice or take the place of professional advice. The Newsletter has been prepared without taking into account your individual objectives, financial situation or needs. Accordingly, before acting on the contents of this Newsletter, you should consider whether it is appropriate to you, having regard to your objectives, financial situation and needs. You should also consider obtaining professional advice from a licensed financial adviser.

Issued by Group Benefits Pty Ltd ABN 83 082 989 142 (Australian Financial Services Licence 239636) on behalf of the Trustee of the Combined Fund.