member update

ANZ Superannuation Savings Account

July 2016

INVESTMENTS

What has shaped your investment performance?

ONLINE

Access more insights online

FEDERAL BUDGET

How will the big changes in the Federal Budget affect you?

YOUR MEMBER UPDATE IS NOW AVAILABLE ONLINE

Read more at anz.com/superupdate

YOUR WORLD
YOUR WAY

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For ANZ Superannuation Savings Account members.

WELCOME

Welcome to your 2016 Member Update

A new look and a better way to keep up-to-date with your account.

ACCESS MORE INVESTOR INSIGHTS ONLINE

Do you know that you can access the information in this update and more online? Our new online version of this update can be viewed on any device.

So whether you're on your smartphone, tablet or desktop, it's now even easier to access important product information and investment insights. Plus there are tips on how to make the most of your super.

INVESTMENT PERFORMANCE

In this edition, our Chief Investment Officer Stewart Brentnall shares his insight on what has been affecting markets and how this is impacting your investment performance. The volatility we're seeing in the market can make some members nervous, particularly since 'Brexit' (the UK vote to leave the European Union), so we've got some information to help you hold your nerve.

At times like these it's always important to take a long-term perspective, rather than focus on day to day market fluctuations.

As always, we recommend the best way to stay abreast of the changes and to maximise your financial future is to regularly meet with your financial planner. In our view, the need for regular financial advice is paramount and plays a key role in ensuring your long-term financial goals can be achieved.

We hope you enjoy this edition of your Member Update. Thank you for choosing us for your super, investment and retirement needs. We look forward to continuing to effectively manage your investments well into the future.

Mark Pankhurst
Head of Superannuation
ANZ Wealth

WHAT HAS SHAPED YOUR INVESTMENT PERFORMANCE?

Stewart Brentnall, ANZ Wealth's Chief Investment Officer, looks at the factors driving investment markets so you can see what is shaping your investment returns.

This year, many markets had one of their worst starts on record. By mid-year, central bank activity had propped up economic growth and commodity prices rebounded as a result. Since then, the recent UK vote to leave the European Union (EU) has sent shudders through investment markets once again. So what will happen from here? Let's look at some of the factors likely to drive your investments for the remainder of this year.

While economic stimulus measures helped make investors feel more confident about markets towards the end of May, we need to keep in mind why such stimulus was needed in the first place. This is because the risks to growth and earnings remain.

- **Softer developed-world growth**
  While developed economies are still growing, the rate of growth is likely to be below average for the rest of 2016. While interest rates remain very low, high indebtedness is holding back spending and weak population growth slows the potential growth of these economies.
- **Company profit tensions**
  There is a direct relationship between global growth and likely company profit margins and earnings, which is what shapes share market performance. At the moment we think the market's future expectations are too optimistic given that global growth will remain moderate. It is likely that return prospects will be weak unless earnings growth really picks up or share-price expectations rise relative to earnings per share – we think both of these scenarios are unlikely given the current environment.
- **China's economy is still transforming**
  China is moving from a traditional economy, with growth led by the industrial sector, to a more modern economy with more growth driven by the services sector and household consumption. Recent Government stimulus has helped support growth

Investment markets were surprised by 'Brexit' – the UK vote to leave the European Union (EU) at the end of June. We have seen falls in share markets and bond yields along with significant moves in currencies.

We came into Brexit already holding a defensive investment position supported by our concerns about the factors we have outlined above.

While Brexit will intensify these pre-existing concerns, it does not itself significantly change our assessment of the global economic outlook. Longer-term implications very much depend upon any further EU member states moving to leave. This, along with the actual exit process of the UK from the EU, may take years, not months, to play out.

in the industrial sector at a time when services growth has slowed. On top of this, China's corporate debt burden is high, with the recent economic stimulus injected into the economy (in the form of measures such as easier money supply) adding to the debt burden. This raises concerns about the sustainability of the short-term rebound in markets. We can also see that many emerging market economies, such as India, Brazil, Russia and Malaysia, have significant debt burdens. This means financial sector stress is something to watch in these regions.

- **Commodity price pressures**
  While commodity prices have staged some recovery from their January lows, there is currently more than adequate supply across most commodities. This suggests we are unlikely to see further price rises in commodities. Renewed weakness is likely for iron ore in particular and this may exert some further downward pressure on the Australian dollar later this year.

HOW ARE WE MANAGING YOUR INVESTMENTS?

The additional uncertainty and volatility require a keen focus on the shifting risks and return opportunities in financial markets today.

For the funds we manage, we have become more defensive in our strategy overall – we lowered the amount we hold in growth assets and riskier investments such as shares, earlier this year. This is because the local and global economies are expanding at only a moderate pace and this is likely to have a negative impact on company profits and share prices.

We have also been concerned about the need for central banks to take unprecedented measures to boost economic growth. In Europe and Japan they currently have negative interest rates, and in the US the Federal Reserve is in the process of slowly raising rates from zero.

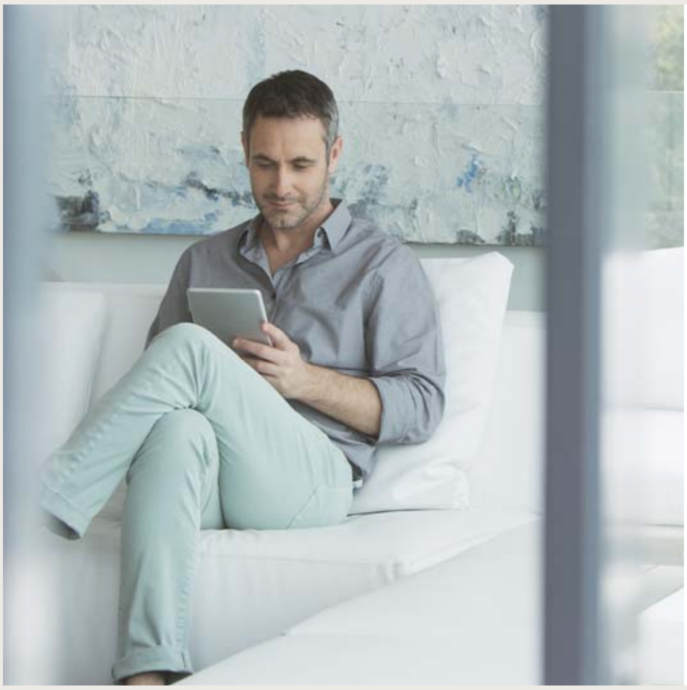
Both of these factors are likely to depress the expected returns from bonds so we have allocated a higher than usual amount to cash to protect investors.

The Brexit vote and its implications also support our strategy of caution to growth assets but does not change it. Opportunities may emerge to shift to a somewhat less defensive strategy if growth assets weaken in the months ahead. However, we are not at that point as yet and remain cautious as markets continue to digest the implications of the Brexit vote.

With all this uncertainty and volatility within financial markets, some investment portfolios have experienced weak returns over the past year. However, it's important to remember that superannuation is a long-term investment to achieve retirement goals, rather than an investment focused on short-term returns.

As always, your financial adviser is best placed to guide you on the right mix of assets for your personal situation.

Explore more online



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5 of the best finance apps

Are your finances in good shape?

Whether you're looking to track your expenses or manage your investments, we look at the best personal finance apps on the market. Help is just a tap away.

Go online to find out more today.
anz.com/superupdate

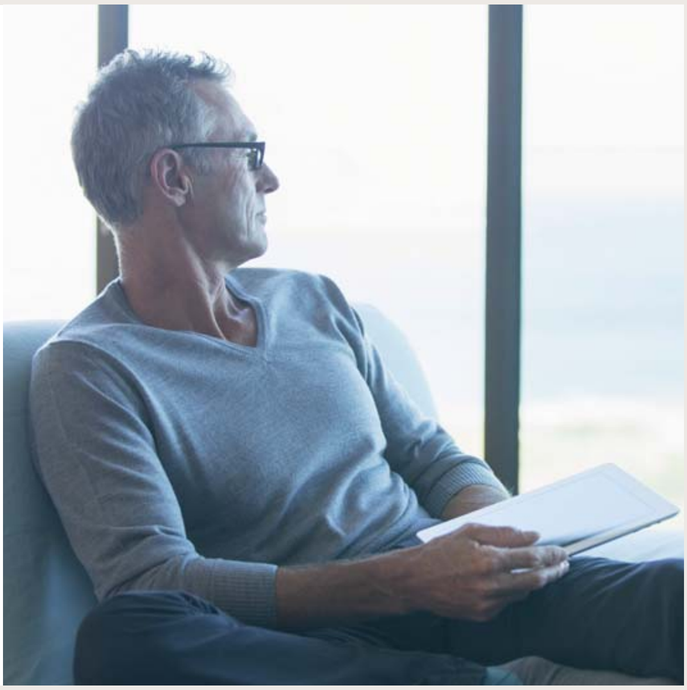
SOCIAL SECURITY

Will the Social Security Pension changes affect you?

The Government is making key changes to means testing for Social Security Pensions (including the Age Pension), which will take effect 1 January 2017.

If you currently receive a full or part pension, or intend to retire soon, you should be aware of how the changes could impact your entitlements. There are some strategies to lessen the impact.

Go online to find out more today.
anz.com/superupdate



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RETIREMENT

The million dollar super question

What is the price of a comfortable retirement? To retire without financial stress you need to get real with your sums.

Go online to find out more today.
anz.com/superupdate

PLANNING

Plan now and get ahead

Boosting your super is always a good strategy and the start of a new financial year is a great time to take stock.

Super is often the biggest source of retirement savings. There are some great strategies you can put in place today to improve your future retirement outlook.

With a new financial year, it's a great time to put spare cash to work in your super fund. That's because your super is taxed at concessional (or lower) rates, leaving you more to play with when you retire.

Go online to find out more today.
anz.com/superupdate

IS YOUR SUPER UNDER $50,000?

The 2015 **ANZ Women's Report** found that women retire with much less superannuation than men, with about 90 per cent retiring with inadequate funds.

The ANZ Women's Advice Service was created to answer your financial questions, help you reach your money goals, and get your superannuation on track, so you can start building a stronger financial future today.

We offer:

- specialist financial planners trained to support women – they can connect with you in person in your closest capital city or by phone
- free phone-based advice if your super is under $50,000
- convenient opening hours from 8am to 9pm, Monday to Friday (AEST).

Call the ANZ Women's Advice Service on 1800 966 269 between 8am–9pm Monday to Friday, SMS 0439 966 269 with your name for a call back or visit anz.com/women. When you call we'll have a quick chat to understand your needs and how you'd like our help, then guide you to an appropriate adviser. ■

Terms and conditions: ANZ's service to enable persons with less than $50,000 in super to receive superannuation and personal risk insurance advice for no charge is subject to the following terms and conditions: **1**. The Service is only available to persons in Australia who are at least 18 years of age, who have less than $50,000 in total in Australian superannuation account balances at the time of taking up the service, includes phone-based superannuation and personal risk insurance advice only and does not include advice in respect of self-managed super funds. Non ANZ customers will need to complete ANZ's standard customer identification process at any ANZ branch before proceeding with advice. **2**. The Service includes a waiver on the Adviser Service Fee and implementation fees in respect of the superannuation and personal risk insurance advice given in the Service. The Service is provided over the phone and includes initial consultations with an ANZ women's specialist financial planner, provision of a Statement of Advice and implementation of the relevant advice (where required). Product fees and insurance premiums may be incurred as a result of implementation. Ongoing advice is not included in the Service. **3**. The Service can only be accessed via the ANZ Women's Concierge enquiry form (anz.com/women), call back request via text (SMS to 0439 966 269) or by calling 1800 966 269 (1800 WOMANZ). **4**. There will be no up front or ongoing commissions paid to ANZ or its financial planners in respect of any personal risk insurance advice provided as part of this Service. **5**. ANZ may withdraw this offer at anytime.

THE BIG CHANGES IN THE FEDERAL BUDGET

As the Australian population ages, key issues around preparedness for retirement have become more important than ever.

Superannuation is the big focus of the Government's 2016–17 budget. The budget proposes to introduce a raft of changes it claims will refocus super on supporting those at risk of relying on the age pension. The proposed measures apply from 1 July 2017 unless otherwise stated.

In delivering the budget, Treasurer Scott Morrison identified tax concessions for the wealthy were his target, but said "96 per cent of Australians with super will be unaffected by or be better off as a result of the superannuation changes we have announced".

These proposals need to successfully pass through Parliament before becoming law and may be subject to change during this process.

KEY CHANGES

Super contributions receiving tax concessions will be limited to $25,000 a year. If you want to contribute any more than that penalties will apply. For those aged under 50 this is currently $30,000 a year, and $35,000 for those aged 50 and over. Over a lifetime, the Government will limit non-concessional contributions to $500,000, a big adjustment from the current limit of $180,000 a year (or $540,000 for those able to use the bring-forward rule). Non-concessional means after-tax contributions to super that are not taxed in the super fund.

If passed into legislation, this new limit takes effect from 3 May 2016, taking into account non-concessional contributions made since 1 July 2007.

Restrictions on who can make personal deductible contributions to super have been eased. Anyone up to 75 years of age can now claim income-tax deductions for their personal super contributions, though the concessional limit of $25,000 still applies. This is particularly helpful for those who can't use salary-sacrifice arrangements.

HIGH-INCOME EARNERS

High-income earners have been impacted by super tax concession limits and a general curbing on contributions into superannuation.

The threshold at which high-income earners pay 30 per cent tax on super contributions will be lowered from $300,000 to $250,000. This change will limit the tax concessions provided to high-income earners.

Of the super that is accumulated, the amount that can be moved into tax-free retirement-phase accounts has been capped at $1.6 million. This will limit the extent to which the tax-free benefits of retirement phase accounts can be used by high-wealth individuals.

Earnings from assets that support 'transition-to-retirement income streams' will no longer be tax exempt from 1 July 2017.

LOW-INCOME EARNERS

Low-income earners will benefit from a superannuation tax offset. Those earning $37,000 or less who make concessional contributions to their super will receive a tax benefit capped at $500 to offset the tax paid on those contributions. This will replace the low-income superannuation contribution scheme which ceases on 30 June 2017.

Similarly, more taxpayers who contribute to a low-income earning spouse's account will be eligible for the spouse contribution tax offset because of the increase in the income threshold for the low-income spouse from $10,800 to $37,000. The low-income spouse tax offset provides up to $540 each year for the contributing spouse.

LOW BALANCE

Those with a super balance less than $500,000 and who have not reached their $25,000 concessional contributions cap in previous years are able to carry forward unused amounts. Unused amounts accrued from 1 July 2017 may be carried forward on a rolling basis for a period of five consecutive years.

This will particularly help those that make lower contributions as a result of interrupted work patterns or those who cannot make uniform contributions every year.

OLDER AUSTRALIANS

Those aged 65 to 74 will not be restricted from making super contributions for their retirement, beginning 1 July 2017. They'll no longer have to satisfy a work test and will be able to receive contributions from their spouse.

For more information on the budget proposals and how they may impact you, go to budget.gov.au, refer to the Federal Budget 2016/17 update at anz.com > Personal > Investing & Super > Resources and speak to your financial adviser.

IMPORTANT CHANGES AND INFORMATION

01 YOUR ANNUAL REPORT IS AVAILABLE ONLINE

In line with ANZ's ongoing commitment to reducing our impact on the environment, your Annual Report will be available online in December 2016 at anz.com > Personal > Investing & Super > Resources.

If you would like to receive a hard copy (free of charge), please contact Customer Services.

02 TERMINAL MEDICAL CONDITION

The following investment and regulatory information is relevant for members with a super account or a pension account with preserved or restricted non-preserved benefits.

Early access to superannuation for people with terminal medical condition from 1 July 2015

The Government has amended the provision for accessing superannuation for people suffering a terminal medical condition. This amendment extends the life expectancy period from 12 months to 24 months.

Possible implications to consider

- If you have failed to obtain the required medical certification to meet the terminal illness definition due to the restrictions of the 12 month rule, consider obtaining new medical certification. Whilst the change allows earlier access to your super it may not provide earlier access to any terminal illness insurance benefits as part of your super.
- If you have insurance within your super, it is important to understand the terms and conditions. Consider maintaining some money in your super account to keep the account open and to pay insurance premiums. Withdrawing your full balance could result in the loss of valuable insurance cover.

03 UPDATES TO YOUR DUTY OF DISCLOSURE

The information relating to insurance contained in this document is provided for summary purposes only. Please refer to the relevant Product Disclosure Statement (PDS) for details of insurance cover. To the extent of any inconsistency with the relevant insurance policies, the terms and conditions of the policies will prevail.

What is the reason for the changes?

The Insurance Contracts Amendment Act 2013 (Cth) has amended the *Insurance Contracts Act 1984* (Cth) as it relates to an insured's 'Duty of Disclosure' to an insurer.

WHAT IS THE NEW DUTY OF DISCLOSURE?

Duty of disclosure

The Trustee who enters into a life insurance contract in respect of your life has a duty, before entering into the contract, to tell the Insurer anything that they know, or could reasonably be expected to know, may affect the Insurer's decision to provide the insurance and on what terms.

The Trustee has this duty until the Insurer agrees to provide the insurance.

The Trustee has the same duty before they extend, vary or reinstate the contract.

The Trustee does not need to tell the Insurer anything that:

- reduces the risk the Insurer insures you for; or
- is of common knowledge; or
- the Insurer knows or should know as an Insurer; or
- the Insurer waives your duty to tell the Insurer about.

You must disclose relevant information

You must tell the Insurer, anything you know, or could reasonably be expected to know, that may affect the Insurer's decision to provide the insurance on what terms.

If you do not do so, this may be treated as a failure by the Trustee to tell the Insurer something they the Trustee must tell the Insurer.

If you provide relevant information to the Trustee rather than the Insurer, the Trustee will provide the information you give the Trustee to the Insurer. The Trustee will do this so that you comply with your obligation to provide relevant information to the Insurer.

If you do not tell the Insurer something

In exercising the following rights, the Insurer may consider whether different types of cover can constitute separate contracts of life insurance. If they do, the Insurer may apply the following rights separately to each type of cover.

If the Trustee does not tell the Insurer anything the Trustee is required to, and the Insurer would not have provided the insurance or entered into the same contract with the Trustee if the Trustee had told the Insurer and the Trustee, the Insurer may avoid the contract within three years of entering into it.

If the Insurer chooses not to avoid the contract, the Insurer may, at any time, reduce the amount of insurance provided. This would be worked out using a formula that takes into account the fees that would have been payable if the Trustee had told the Insurer and everything it should have.

However, if the contract provides cover on death, the Insurer may only exercise this right within three years of entering into the contract.

If the Insurer chooses not to avoid the contract or reduce the amount of insurance provided, the Insurer may, at any time vary the contract in a way that places the Insurer in the same position it would have been in if you had told the Insurer and the Trustee everything you should have.

However this right does not apply if the contract provides cover on death.

If the failure to tell the Insurer is fraudulent, the Insurer may refuse to pay a claim and treat the contract as if it never existed.

What do you need to do?

If you submit an application for new insurance cover or you make an alteration to existing insurance cover, you will need to ensure you disclose all relevant information to the Trustee and the Insurer on your application in accordance with the 'Duty of Disclosure' section above.

04 ARE YOU STILL COVERED?

This applies to members insured by OnePath Life Limited.

Have your personal circumstances changed? If so, have you told us – because it may mean that you are no longer insured.

Did you know that even though you have continued to pay your insurance fees, a change in your personal circumstances may mean that you are no longer covered? It is important that you continue to advise us of any changes in your personal or working circumstances.

For instance, does one of the following apply to you – if so, you may no longer be covered:

- Have you permanently retired from the workforce?
- Have you commenced active service in the defence forces of any country?
- Were you a visa holder, and has your visa expired?
- Have you transferred to the Pension or Transfer to Retirement (TTR) division of another super fund?
- Have you been working overseas for more than two years?
- Have you been on employer-approved leave for a period of two years or more?
- Have you been travelling overseas for more than two years?
- Were you not at work on the day that your cover commenced?
- Have you permanently departed Australia?

Please make sure that you contact Customer Services to advise us of changes in your circumstances

05 ARE YOUR CONTACT DETAILS UP TO DATE? IT'S IMPORTANT TO STAY IN TOUCH!

It is important that you stay in touch with us and keep your account active, so you do not become 'lost'.

You may be classified as a 'lost member' if

- we have made one or more attempts to send written communications to you at your last known address; and
- we believe on reasonable grounds that you can no longer be contacted at any address known to the fund; and
- you have not contacted us (by written communication or otherwise) within the last 12 months of your membership of the fund; and
- you have not accessed details about your account online within the last 12 months of your membership of the fund; and
- we have not received a contribution or rollover from you, or on your behalf, in the last 12 months of your membership of the fund. We are required to report 'lost members' to the Australian Taxation Office (ATO).

Additionally, we are required to transfer a lost member's account to the ATO if:

- the account balance is less than $4,000 ($6,000 from 31 December 2016); and
- we have insufficient records to pay an amount to the member.

If your account does become 'lost' and paid to the ATO you will lose any insurance associated with the account, and will need to contact the ATO about payment options.

If you have not provided your phone number or email address, you can do so by calling or emailing us.

06 ANNUAL STATEMENTS FOR SUPER – ADDITIONAL EXPLANATORY NOTES

The following explanatory notes are to be read together with your 2016 Annual Statement. If you have any further questions, please call Customer Services.

Contributions tax

Contributions tax of 15% will apply to any contributions that you claim as a personal tax deduction (subject to a valid 'Notice of intent to claim a tax deduction' form) or contributions made by your employer (including salary sacrifice contributions).

In calculating the amount of tax payable we may make allowance for deductions available to the fund on transactions such as the payment of insurance premiums.

If you are claiming a tax deduction for personal contributions that you made in the Annual Statement period, the related contributions tax will only appear in the Annual Statement if we received your 'Notice of intent to claim a tax deduction' form by the date requested and the notice has been acknowledged by the Trustee. Tax at a rate of 15% also applies to the untaxed element of a rollover superannuation benefit and certain foreign super fund transfers. The tax payable is shown on your Annual Statement.

Additional tax for high income earners (Division 293 tax)

An additional 15% tax may apply to certain concessional contributions if your adjusted taxable income exceeds $300,000. For further information please visit www.ato.gov.au or speak to your financial planner.

Preservation status

Unrestricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access at any time.

Restricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access, if you leave an employer who has contributed to this fund on your behalf, or when preserved benefits are payable.

Preserved Benefit is the amount of withdrawal benefit at the close of the reporting period required to be preserved by the Trust Deed and super legislation governing your benefits. Generally, you cannot access this amount until age 65, or once you have reached your preservation age (between age 55 and 60, depending on your date of birth) and you have retired.

The total of the preservation components is net of withdrawal fees and contributions tax payable on contributions that were made up to the end of the reporting period. Please note: where no-TFN contributions tax is payable, the total of the preservation components will differ to the withdrawal amount as no-TFN contributions tax payable is deducted from the withdrawal amount and not from the preservation components.

Super Guarantee (SG) Allocation

The SG Allocation is the amount of employee entitlement paid by the ATO representing a superannuation guarantee shortfall and any interest for the shortfall. This amount includes the 9.5% (for 2015/16) obligation and any interest earned. The SG Allocation may appear on your Annual Statement as either an addition or deduction. An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid SG Allocation by the ATO. This SG Allocation amount is determined by the ATO, so you should speak to your financial planner or contact the ATO in relation to the amount paid.

Government contribution

Government contributions can include the Government co-contribution and Low Income Super Contribution (LISC). The Government co-contribution is an incentive from the Australian Government designed to assist eligible individuals to save for their retirement. If you are working, your income is less than $51,021 p.a. for 2016/17, and you make personal contributions to super, you may be eligible for a Government co-contribution. Generally, the maximum co-contribution is $500 and reduces once your income exceeds $36,021 for 2016/17. The ATO will pay 50 cents for every dollar of personal non-concessional contributions up to your maximum entitlement. Additional criteria must be satisfied to be eligible for the Government co-contribution.

The Low Income Super Contribution effectively returns any tax paid (up to $500) on concessional contributions made in a financial year for a low income earner (an individual with an adjusted taxable income of $37,000 or less in an income year). The co-contribution may appear on your statement as either an addition or deduction. An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid co-contribution by the ATO. Conditions apply, so you should speak to your financial planner or contact the ATO in relation to the amount paid.

07 EMPLOYER CONTRIBUTION OBLIGATIONS FOR SUPERSTREAM COMPLIANCE

SuperStream is a Government reform aimed at improving the efficiency of the superannuation system. As part of the SuperStream reforms, employers must make super contributions on behalf of their employees by submitting data and payments electronically in a consistent and simplified manner prescribed by the ATO.

When does your employer have to start using SuperStream?

All large to medium-sized employers (with 20 or more employees) were required meet their SuperStream obligations from 31 October 2015. Small employers (fewer than 20 members) are required to comply from 28 October 2016.

What does this mean for you?

SuperStream is a significant benefit for employers and their employees as it simplifies the employer super contribution experience by streamlining how payments can be made. Your employer should liaise directly with the ATO in relation to the specific requirements.

What do you need to do?

You do not need to do anything, the obligation for compliance is with your employer, however payments received by employers that do not comply with SuperStream obligations may be rejected.

08 CHECK YOUR INSURANCE DETAILS

Check that your insurance cover is set up correctly including: occupation, age, salary (if applicable), gender, types of insurance and sum insured.

09 IMPORTANT TRUSTEE INFORMATION ONLINE

As part of the Stronger Super reforms, Registrable Superannuation Entities are required to publish specific information on their websites in accordance with the *Superannuation Industry (Supervision) Act 1993*. OnePath Custodians Pty Limited as Trustee of your superannuation fund has recently published this information online.

To find out more about OnePath Custodians Pty Ltd as your Trustee please go to onepath.com.au > About OnePath > Help > Trustee and Fund information.

10 IMPORTANT NOTE ABOUT FUNDS RATE OF RETURNS REPORTING FOR PREVIOUS YEARS

Please note that some of the 5 and 10 year rates of return in previous annual statements, were displayed incorrectly. The interest credited to your account was correct, however, if you would like further information, please contact Customer Services.

EXPLORE MORE ONLINE

ENJOY ACCESS TO EVEN MORE INSIGHTS AND TIPS ONLINE

Visit anz.com/superupdate today

Contact us

13 38 63 weekdays between 8.30am and 6.30pm (AEST)

customer@onepath.com.au

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