member update

June 2014

ANZ Superannuation Savings Account

Big movers and little shakers

ANZ

Contents

For ANZ Superannuation Savings Account members.

Welcome

WELCOME TO YOUR END OF FINANCIAL YEAR MEMBER UPDATE

As a valued customer, I'd like to thank you for your ongoing support of ANZ. In this edition of Member Update, we summarise the Federal Budget changes relevant to you and look at the investment horizon ahead.

Investment outlook

Markets in general continue to deliver strong, positive returns for investors. ANZ Global Wealth Chief Investment Officer, Stewart Brentnall explains that despite continued good growth, volatility is likely to persist throughout calendar year 2014 as investors sensibly reappraise potential risks and rewards. He also provides his view on how the key investment sectors will fare for the rest of 2014.

Latest updates

The financial services sector continues to experience substantial change and legislative reform. ANZ continues to embrace change that provides transparency, consistency and certainty for members. We discuss some of these changes in detail as well as some of the impacts of the Federal Government's budget.

As always, we recommend the best way to stay abreast of the changing financial services landscape and to maximise your financial future is to regularly meet with a fully licenced and appropriately credentialed financial planner. In our view the need for regular, sound financial advice is paramount and remains the key to ensuring your long-term financial goals can be achieved.

Thank you again for choosing ANZ for your super, investment and retirement needs. We look forward to managing your investments, now and into the future.

Craig Brackenrig
Managing Director
Global Pensions and Investments

The strength of ANZ

ANZ operates in 33 markets globally with representation in Australia, New Zealand, Asia Pacific, Europe, America and the Middle East. ANZ provides products and services to more than 8 million retail customers worldwide and employs over 47,000 people.

ANZ aims to become a super regional bank. This involves growing in the Asia Pacific region while also remaining very focused on the business and opportunities that exist in Australia and New Zealand.

ANZ has a strong involvement in the community, leading the way with programs targeting financial literacy, indigenous inclusion, the environment, volunteering and sponsorship.

Big movers and little shakers

STEWART BRENTNALL, CHIEF INVESTMENT OFFICER, ANZ GLOBAL WEALTH EXPLAINS WHY VOLATILITY IS LIKELY TO PERSIST THROUGH 2014 AS INVESTORS SENSIBLY REAPPRAISE POTENTIAL RISKS AND REWARDS.

Volatility is not always a sign of irrational investment behaviour. While investors are prone to occasionally jump at shadows, the uptick in volatility we have seen in 2014 is largely a function of a considered portfolio rebalancing by investors as the 'free-lunch' provided by central bank actions of recent years approaches its conclusion.

This began when the US Federal Reserve (Fed) started winding down the rate of new bond purchases in January, demonstrating its intention to start the long process of returning monetary policy to a more normal setting.

Three other dynamics have also been at play. The first is 'forward guidance' from the Fed and central banks in Europe and Japan that interest rates are likely to stay at their current lows for a lot longer than originally expected. Second, inflation in the developed world has remained low and stable with little sign of acceleration. Finally, uncertainty over the growth outlook has re-emerged given recent weakness in US activity (mainly due to poor weather), geopolitical concerns in Europe and a deflating property sector in China.

These forces have combined to trigger a return of the 'search for yield', with high yielding assets, such as listed property and Australian and New Zealand dollars, highly sought after.

With markets now on a slightly more cautious footing, the potential performance difference between defensive (bonds) and growth (shares) investments has narrowed. That said, the economic backdrop still remains positive for growth assets, so let us take a look at how we think the key sectors will fare for the rest of 2014.

AUSTRALIAN SHARES

We expect improving sentiment and business conditions together with low interest rates to provide solid momentum for the rest of 2014.

INTERNATIONAL SHARES

International shares have performed solidly this year though volatility has risen. The forecast for a rise in developed economies' growth rates provides a solid platform for the sector. Our analysis shows the value of the US share index remains in line with the fundamentals despite reaching new records. We expect solid positive returns from international shares for the remainder of the year, though at a more moderate rate than 2013.

We are cautious on emerging market shares which remain under pressure from structural problems within some large countries, political tensions and deteriorating fundamentals.

INTERNATIONAL FIXED INTEREST

While bond yields initially rose in response to the Fed trimming its asset purchases, they subsequently eased as markets come to realise that rate rises remain some time away. Global bond yields have been trading steadily in the past few months and we believe this will likely continue.

AUSTRALIAN FIXED INTEREST

The Australian bond market has moved broadly in line with global bond markets. The Reserve Bank of Australia's (RBA) shift to a neutral bias, improving fundamentals and a buoyant housing sector have seen the local bond market price in a rate rise in early 2015.

LISTED PROPERTY

This sector has benefited in recent months from a renewed global search for higher yielding assets. We believe listed property valuations are stretched suggesting limited growth potential in the near term.

CURRENCY

After weakening in the final months of 2013, the AUD has gradually strengthened in the first quarter of 2014. While we believe the AUD is above fair value, which direction the dollar will move in, and why, will depend on the outlook for commodity prices and market expectations for interest rates.

A little planning now can pay

EVERYONE WANTS TO BE FINANCIALLY INDEPENDENT. THE BEST WAY TO PUT YOURSELF IN THAT POSITION FOR RETIREMENT IS TO START PLANNING NOW.

Could you live on $421 per week? For many Australian households that's barely enough to cover the cost of living – including grocery shopping and a tank of petrol.

But that's what an individual who relies on the Government Age Pension is expected to live on today. For a couple, that figure is $635 per week, or only $318 per week each[1].

For most Australians super is generally one of the largest investments they will ever hold. It is also one of the most tax-effective ways to save for your retirement.

There are three simple strategies everyone could do today to optimise their super balance:

1 | Consolidate your super

Multiple super accounts usually means multiple sets of fees, and you may even be paying multiple life insurance premiums.

When you consolidate you'll receive only one statement, you'll know what you're paying in fees, and your super will become easier to manage. Also, with the help of your financial planner, you can ensure any life insurance policy within your super is both cost-effective and relevant to your particular needs.

In some circumstances, moving funds may have taxation, investment, exit fee and insurance implications. You should consult with your financial planner first.

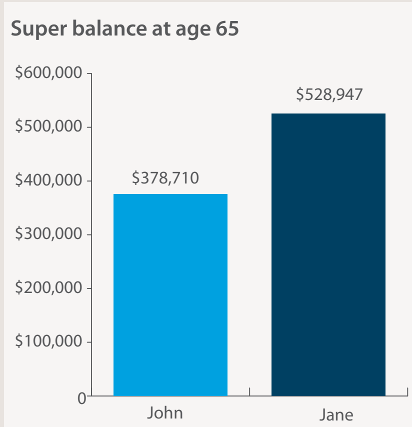
off in retirement

Combining your multiple super accounts and topping up could make a big difference

John, aged 35, holds three super accounts, earns $70,000 p.a. and doesn't contribute any additional funds to his super beyond the 9.5% Superannuation Guarantee (SG) ($6,650) his employer contributes.

Jane, also aged 35 and earning the same income, seeks advice and decides to combine her three super accounts and arrange for her employer to make contributions of $50 per week ($2,600 p.a.), via a salary sacrifice arrangement, on top of her employer's 9.5% ($6,650 p.a.) SG contributions.

In doing so, Jane's super outgrows John's super balance by more than $150,000 over 30 years.



Assumptions: Existing super balance of $50,000 each. Employer and voluntary contributions increase with inflation. Annual super fees of $600 per account. No insurance premiums are deducted from super. Annual rate of return of 6%. SG contributions increase 0.5% p.a. from 9.5% in 2014/15 until reaching 12% in 2020. It remains at 12% p.a. thereafter. The projected amounts are shown in today's dollars, assuming inflation of 3% p.a.

Other factors may also impact using this strategy. You should seek independent financial advice before undertaking a salary sacrifice arrangement.

Although the above graph is used for indicative purposes only, it still shows just how easy it could be to improve your outlook by simply combining multiple accounts and making ongoing contributions to your super.

Before re-directing your super or combining your super accounts, you will need to consider whether there are any adverse consequences for you, including exit fees, other loss of benefits (e.g. insurance cover) or increase in investment risks.

2 | Make additional contributions

It's generally recognised that the minimum amount of super your employer contributes for Superannuation Guarantee (SG) purposes may not be enough for most people. But you can top this up yourself by starting a regular contributions plan – like a salary sacrifice arrangement, through your employer or personal deductible contributions if you're self-employed.

The case study on this page shows the difference a salary sacrifice arrangement can make over time. But there are also immediate benefits of contributing more of your before-tax income to super.

When you arrange salary sacrifice contributions, or personal deductible contributions, generally 15% tax is paid on those contributions – which for most people is considerably lower than their marginal tax rate. However, you need to be careful not to exceed the contributions caps, as tax consequences may apply.

3 | Seek financial advice

Another way to gain certainty over your retirement savings is to seek regular financial advice that's specific to your circumstances.

There are many strategies and concessions available to boost your super. You should know what's best for you, and how to make the most of the latest rules and entitlements available.

With the help of your financial planner, you can put the right structures in place to maximise your Age Pension entitlements and help your savings last longer.

1 Payment rates for Age Pension as at 1 July 2014.
Source: Australian Government Department of Human Services.

To find out more about how you can boost your super, talk to an ANZ Financial Planner today.

What does the Federal Budget mean for you?

Legislated superannuation contributions caps and thresholds

CONTRIBUTIONS CAPS

You can grow your super by making additional contributions

To help you save for your retirement, the Government allows you to make additional contributions into your super.

While additional contributions can be a great way to boost your super, it's important to know the limits (or caps) that apply to before-tax and after-tax contributions and to keep an eye on your payments, as exceeding the caps may have tax consequences. See the table titled 'Updated superannuation thresholds' below.

Exceeding the Contributions Caps

Concessional contributions
Excess concessional contributions from 1 July 2013 will be included in an individual's assessable income and taxed at their marginal tax rate. An individual will be entitled to a tax offset equal to 15% of their excess concessional contributions. An interest charge also applies to accounts for the deferral of tax. Individuals can elect to withdraw up to 85% of their excess concessional contributions from their superannuation. Depending upon the amount withdrawn there may be an impact on the non-concessional contributions cap.

Non-concessional contributions
Excess non-concessional contributions may be taxed at 46.5% for 2013/14 and 49%[1] from 2014/15. Please refer to the next page for more information on the proposed superannuation changes.

Updated superannuation thresholds

Year	2013/14	2014/15
General concessional contributions cap	$25,000	$30,000
Temporary concessional contributions cap	$35,000[2]	$35,000[3]
Non-concessional contributions cap	$150,000	$180,000
Non-concessional contributions cap – bring forward[4]	$450,000	$540,000
CGT cap contribution limit	$1,315,000	$1,355,000
Low rate cap	$180,000	$185,000
The Government co-contribution		
Maximum entitlement	$500	$500
Taper rate[5]	3.33c per $1	3.33c per $1
Lower income threshold	$33,516	$34,488
Higher income threshold	$48,516	$49,488

1 This includes the Temporary Budget Repair Levy that is scheduled to cease on 30 June 2017.

2 Age 60 or over as at 30 June 2014.

3 Age 50 or over as at 30 June 2015.

4 The 'Bring forward amount' allows people under age 65 (at the start of the financial year) to 'bring forward' two years' contributions caps. This effectively creates a three year block where total non-concessional contributions cannot exceed three times the first financial year's non-concessional contributions cap. The bring forward amount is automatically triggered when contributions exceed the non-concessional contributions cap amount in a financial year.

5 The Taper rate determines how much the maximum co-contribution is reduced for each $1 of total income that exceeds the lower income threshold. The maximum co-contribution completely phases out when the total income reaches the upper income threshold.

When Joe Hockey stood in front of Parliament and spoke about "fixing the Budget together", he confirmed that the 2014/15 Federal Budget was going to be a tough one for many Australians.

In particular, "the end of the age of entitlement" could see a reduction in welfare payments and concessions to many low-to-middle income households. Also, high income earners will be asked to pay more tax over the next three years from 1 July 2014.

In terms of new spending, the two main commitments were to infrastructure and medical research, which will be funded by respective levies on petrol and doctor visits.

A major boost was also provided to businesses, with a reduction in the company tax rate from 1 July 2015.

Although most of these Budget measures are yet to be legislated, it's always a good idea to be aware of what changes may be coming and what they might mean for you and your family. So, let's look at the key proposed changes and how they could affect you.

WHAT ARE THE KEY BUDGET CHANGES?

Taxation changes

Temporary Budget Repair Levy applied to high-income earners

The top marginal tax rate for individual taxpayers will increase by 2% to 47% (or 49% including Medicare levy) for three years commencing 1 July 2014.

The increased top marginal tax rate will apply if you earn in excess of $180,000 per annum. In other words, if you earn $200,000 per year, only $20,000 is taxed at the higher rate.

Reduction in the company tax rate

The Government has re-stated its commitment to cutting the company tax rate by 1.5% from 1 July 2015, from 30% to 28.5%.

For large companies (with income greater than $5 million p.a.), the reduction will offset the cost of the Government's Paid Parental Leave levy of 1.5%. This levy will not be imposed on smaller companies (with income less than $5 million p.a.), which may help improve cash flow and profitability.

Proposed Social Security changes

Increase of Age Pension age

The Age Pension qualifying age will continue to rise by six months every two years from the qualifying age of 67 (from 1 July 2023), gradually reaching a qualifying age of 70 by 1 July 2035.

Individuals born before July 1958, will not be affected by this change. Department of Veterans' Affairs service pension age is also not impacted.

It is also proposed that:

- eligibility thresholds for Pensions and Pension-related payments will be maintained for three years from 1 July 2017
- from 1 September 2017, indexation of Pension payments will be based on the Consumer Price Index; and
- deeming thresholds used in the pension income test to be reduced to $30,000 for singles and $50,000 for couples from 20 September 2017.

Deeming rules for Account Based Pensions

It has been legislated that from 1 January 2015, the social security deeming rules applying to financial investments will also apply to certain Account Based Pensions (including transition to retirement pensions) for the purposes of the social security income test. 'Grandfathering rules' will apply for Account Based Pensions started before 1 January 2015 that are held by existing income support recipients as at 1 January 2015. These income streams will be assessed under the existing rules, that is, the annual payment less the social security deductible amount.

Commonwealth Senior Health Card (CSHC) Program

The Government has proposed several changes to the CSHC program, including the following:

- From September 2014, the qualifying income limits for the CSHC are to be indexed to the Consumer Price Index and CSHC holders will no longer receive the Seniors Supplement. However, CSHC holders will continue to receive the Clean Energy Supplement and access the Pharmaceutical Benefits Scheme (and the lower threshold for the extended Medicare Threshold).
- From 1 January 2015, income from superannuation account based income streams will be included in the definition of income for the CSHC. Existing superannuation account based income streams held by CSHC holders before 1 January 2015 will be assessed under the existing rules.

Higher education and Higher Education Loan Program (HELP) system changes

There is a raft of proposed changes from 1 January 2016, which could see tertiary education costs rise if education providers are able to set their own tuition fees, and if proposed HELP support changes are passed through Parliament.

These changes may create a greater emphasis on parents (and grandparents) saving for their childrens' education costs. So, to ensure you effectively save for the cost of education, please speak to a financial planner today.

Proposed Superannuation changes

Increase of Superannuation Guarantee (SG)

From 1 July 2014, the SG rate will increase to 9.5% p.a. However, the Government has proposed changes to the schedule for increasing the SG rate to 12%. These changes will now see the SG rate reach 12% three years later than currently legislated.

For employees, these changes may allow you to effectively manage your contributions caps for the 2014/15 financial year. For employers, it gives you added certainty on the level of SG contributions you may need to make from 1 July 2014.

Preservation Age increase

In response to the recommendation in the National Commission of Audit report for a phased increase to the superannuation preservation age, the Government has stated that this measure will be considered by the Financial Systems Inquiry and the Tax White Paper process.

Government Low Income Superannuation Contribution (LISC)

A Government contribution of up to $500 (non-indexed) is payable for persons with adjusted taxable income of up to $37,000 (non-indexed) (conditions apply). This contribution effectively offsets the tax (up to $500) on concessional contributions.

The Government has proposed to discontinue the LISC for contributions made on or after 1 July 2013. Also, the Government has indicated superannuation incentives for low income earners will be revisited once the Budget is back in a strong surplus.

Excess non-concessional contributions tax

It is proposed that superannuation members will now be able to withdraw any non-concessional superannuation contributions (and related earnings) made after 1 July 2013 that breach the non-concessional contributions cap.

If this option is chosen, excess contributions tax will not be payable and any associated earnings will be taxed at the individual's marginal tax rate.

This change will help anyone who breaches the non-concessional contributions caps from 1 July 2013. Excess non-concessional contributions left in the fund will be taxed at the top marginal rate plus the Medicare levy.

If you have any questions or concerns about how these or any other Budget proposals could affect you and your family, please refer to budget.gov.au or speak to an ANZ Financial Planner.

Important changes and information

SUPERANNUATION INSURANCE CHANGES

Did you know that some insurance definitions have changed?

The below content applies to insurance arrangements through ANZ Superannuation Savings Account for new TPD cover taken up from 1 July 2014. The definition changes only relate to insurance provided by OnePath Life Limited (OPL).

The information relating to insurance contained below is provided for summary purposes only. Please refer to the Product Disclosure Statement (PDS) for details of insurance. 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 definition changes?

From 1 July 2014, changes to the *Superannuation Industry (Supervision) Act 1993* (SIS Act) mean that a trustee of a superannuation fund can only provide new insurance cover to members where the insured event is consistent with a relevant SIS Act Condition of Release. These changes mean that the Trustee has updated the insurance policies for your product so that all new Total and Permanent Disability (TPD), payments are only allowable in the event that the claiming member also satisfies a condition of release. The implication of this is that certain definitions have changed and are shown below.

When do the definition changes apply and who do they apply to?

These insurance definition changes apply to all new cover provided to existing members from 1 July 2014.

In general, for an existing member who has continuously held a type of cover (i.e. TPD) which was established before 1 July 2014, that cover will not be affected by these changes and the member will continue to be covered by and be able to claim under the previous policy terms.

What is the new definition?

For a Total and Permanent Disablement Benefit to be paid, the following conditions will apply:

a. an insured member has suffered the permanent loss of:

   i. use of two limbs (where limb is defined as the whole hand or the whole foot); or

   ii. the sight of both eyes; or

   iii. use of one limb and the sight of one eye;

And

the Insurer has determined the insured member is permanently incapacitated to such an extent as to render the insured member unlikely ever to engage in any gainful occupation, business, profession or employment, for which the insured member is reasonably suited by education, training or experience,

OR

b. if the insured member is engaged in a gainful occupation, business, profession or employment when suffering an injury or illness and, as a result of that injury or illness, the insured member is:

   i. totally unable to engage in that occupation, business, profession or employment for a period of 6 consecutive months, and

   ii. determined by the Insurer at the end of that 6 month period (or such later time we agree between the Trustee and the Insurer), the insured member is permanently incapacitated to such an extent as to render the insured member unlikely ever to engage in any gainful occupation, business, profession or employment, for which the insured member is reasonably suited by education, training or experience.

PRIVACY LAW CHANGES

In this section 'we', 'us' and 'our' refers to OnePath Custodians Pty Limited and other members of the ANZ Group.

From 12 March 2014, a new set of privacy principles regulates how OnePath entities and members of the ANZ Group (we) will collect, use, store and disclose your personal information provided as part of your investment with us.

We have updated our Privacy Policy and our Privacy disclosures to reflect these changes.

Updated information about ANZ's Privacy Policy

We are committed to ensuring the confidentiality and security of your personal information. Our Privacy Policy details how we manage your personal information and is available on request or may be downloaded from anz.com/privacy

We collect your personal information from you in order to manage and administer our products and services and we may need to disclose it to certain third parties. Without your personal information, we may not be able to process your application/contributions or provide you with the products or services you require.

Unless you consent to such disclosure we will not be able to consider the information you have provided.

Providing your information to others

The parties to whom we may routinely disclose your personal information include:

- an organisation that assists us and/or ANZ to detect and protect against consumer fraud
- any related company of ANZ which will use the information for the same purposes as ANZ and will act under ANZ's Privacy Policy
- an organisation that is in an arrangement or alliance with us and/or ANZ to jointly offer products and/or to share information for marketing purposes (and any of its outsourced service providers or agents), to enable them or us and/or ANZ to provide you with products or services and/or to promote a product or service
- organisations performing administration
- compliance functions in relation to the products and services we provide
- organisations providing medical or other services for the purpose of the assessment of any insurance claim you make with us (such as reinsurers)
- our solicitors or legal representatives
- organisations maintaining our information technology systems
- organisations providing mailing and printing services
- persons who act on your behalf (such as your agent or financial planner)
- regulatory bodies, government agencies, law enforcement bodies and courts.

We will also disclose your personal information in circumstances where we are required by law to do so. Examples of such laws are:

- The *Family Law Act 1975* (Cth) enables certain persons to request information about your interest in a superannuation fund
- There are disclosure obligations to third parties under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006.*

Overseas recipients

We or ANZ may disclose information to recipients (including service providers and related companies) which are (1) located outside Australia and/or (2) not established in or do not carry on business in Australia.

You can find details about the location of these recipients in our Privacy Policy and at anz.com/privacy

Information required by law

ANZ may be required by relevant laws to collect certain information from you. Details of these laws and why they require us to collect this information are contained in our Privacy Policy at anz.com/privacy

Life risk – sensitive information

For life risk products, where applicable, we may collect health information with your consent. Your health information will only be disclosed to service providers or organisations providing medical or other services for the purpose of underwriting, assessing the application or assessing any claim.

Privacy consent

We and other members of the ANZ Group may send you information about our financial products and services from time to time. ANZ may also disclose your information to its related companies or alliance partners to enable them or ANZ to tell you about a product or service offered by them or a third party with whom they have an arrangement.

You may elect not to receive such information at any time by contacting Customer Services.

Where you wish to authorise any other parties to act on your behalf, to receive information and/or undertake transactions, please notify us in writing.

If you give us or ANZ personal information about someone else, please show them a copy of this document so that they may understand the manner in which their personal information may be used or disclosed by us or ANZ in connection with your dealings with us or ANZ.

Privacy policy

Our Privacy policy contains information about:

- when we or ANZ may collect information from a third party;
- how you may access and seek correction of the personal information we hold about you;
- and how you can raise concerns that we or ANZ has breached the Privacy Act or an applicable code and how we and/or ANZ will deal with those matters.

You can contact us about your information or any other privacy matter as follows:

OnePath
GPO Box 75
Sydney NSW 2001
Email: privacy@onepath.com.au

If any of your personal information is incorrect or has changed, please let OnePath know by contacting Customer Services. More information can be found in our Privacy Policy which can be obtained from its website at anz.com/privacy

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 after November at anz.com > Personal > Investing & super > Resources, then go to Financial reports and annual statements.

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 anz.com > Personal > Investing & super > OnePath ownership and follow the OnePath website link.

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