# INVESTOR UPDATE

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AGED CARE, RISK AND RETURN AND BENEFICIARIES

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# CONTENTS



# WELCOME

## WELCOME TO YOUR 2018 INVESTOR UPDATE

**This year the financial services industry has experienced an increased profile and scrutiny. The greater attention and transparency will be a positive outcome for customers and will help improve and enhance the banking, investment, superannuation and advice industry in general.**

At a time like this, it becomes even more important for you to take ownership of your finances, including your super, and regularly review it against your needs and your long term goals. There's no substitute for taking a personal interest in your financial future. And your annual statement presents you with the basis to review your superannuation; your insurances (if you have any); your investments, fees and other aspects to ensure they are appropriate, affordable and aligned specifically to helping you meet your retirement objectives.

So I encourage you to take time now to review your statement, your current situation and your goals. Your financial planner is best placed to help you work through what is in your best interests, including discussing your current superannuation solution and evaluating whether this remains appropriate for you, and if not, identifying what other options may exist that may also save you valuable time, effort and money.

In this edition, we've included an insightful article highlighting the raft of changes in this year's Federal Budget. We also provide an investment update from our Chief Investment Officer about global and domestic markets and what it means for you and your retirement savings. Plus we cover the risk of outliving your super.

You can also go online at anz.com/investorupdate where you can learn more about aged care, the importance of nominating a beneficiary and the difference additional contributions can make to your retirement savings.

I encourage you to discuss these ideas and the information in your statement with your financial planner. They have the skills, knowledge and expertise to explain the concepts and determine whether they are appropriate for your financial goals and circumstances.

Thank you for continuing to entrust ANZ Wealth with your financial future.

**Mark Pankhurst**
Head of Superannuation
ANZ Wealth

## FOR SUPERANNUATION, RETIREMENT AND INVESTMENT MEMBERS OF:

- ANZ Personal Superannuation Bond
- ANZ Direct Super Investments
- ANZ Allocated Pension
- ANZ Traditional Policies (Endowment and Whole of Life)
- ANZ Savings Products
- ANZ Term Life Policies

This Investor Update covers the products listed, however, not all sections will be relevant to you.

# FOUR STEPS TO AVOID OUTLIVING YOUR SUPER

Australians are funding retirements of up to three decades. So how do you make your savings last? By Nigel Bowen.

**It was only a few generations ago that our average life expectancies hovered around the half-century mark. Today, Australian males on average live for 80.4 years and females for 84.5 years. Those averages are dragged down by people who pass away early. That means, if you make it to retirement age in reasonable health you've got a good chance of living well into your late 80s or even 90s.**

That's good news. But it means many of us are going to have to adjust our approach to superannuation. Actually, there are three essential steps to that adjustment, and they are steps Australians need to take to ensure their superannuation serves them well in their post-work independent life.

## 1. MAKE EXTRA CONTRIBUTIONS TO YOU SUPER

RetireInvest Castle Hill/Hornsby financial planning manager Mark Robinson argues people should take advantage of their peak earning years. "Few people in their 20s and 30s think about their retirement and make voluntary super contributions," he says. "As a result, they have to make an extra effort in their 40s, 50s and 60s to direct any spare cash into super."

Making an effort early in life is truly worthwhile, says Deakin University business school Associate Professor Adrian Raftery. "It's worth noting the government only starts levying extra taxes on super balances once they exceed $1.6 million. So even if someone puts in the maximum tax-deductible contribution of $25,000 every year for 40 years it still only adds up to $1 million."

> If you include the compound interest on that, the final super balance would be far above $1 million.

That's an incremental approach to building your super balance, but in some cases, giant leaps can be taken which could dramatically change how much super you retire with.

"Individuals can have a windfall as a result of receiving an inheritance or selling a business," Raftery says. And they can use that to take advantage of catch-up concessional contributions reforms (from 1 July 2019): "If they have a super balance of under $500,000, they can direct that into their super without paying much tax. Also, retirees who downsize can now put $300,000 of the sale proceeds into their super tax-free."

### 2. BE REALISTIC ABOUT WHAT YOUR RETIREMENT WILL BE

"People are prone to misjudge how long they'll live for and what their expenses during retirement will be," says Robinson. "The default assumption is we'll live as long our parents did. But, especially if we're leading healthier, less dangerous lives than they did, we'll probably be around longer than they were."

"Also, people assume they won't have significant outgoings once they've paid off the house, raised the kids and are free of work-related expenses," he says.

"They fail to take into account having to assist a child get through a divorce or enter the property market. They don't foresee going on regular trips. And they don't like to think about the likelihood of experiencing costly health challenges."

### 3. HAVE A STRATEGY TO GET THE RIGHT AMOUNT FOR YOU

"Once you've reached your mid-60s there are no pleasant options for growing your super balance," Raftery says. "Either you chase after high returns, with the downside of higher risk, or you live frugally to preserve your capital. Or you stay in the workforce."

"People should be seeking expert advice around the time they retire and, ideally, long before that," he continues. "A financial planner can provide a realistic estimate about the super balance you'll need to live the lifestyle you plan to lead. They can also run through the upsides and downsides of strategies of downsizing, postponing retirement, shifting more of your super into growth assets and so on."

### 4. CONSIDER A RANGE OF INVESTMENT OPTIONS

"Especially now the tax rules have been tightened up, there's no need to be obsessed with super," Robinson says. "You can have income coming from share portfolios or balanced funds that isn't taxed much more heavily than super income. I'm not so keen on investment properties for those with limited assets elsewhere given they're illiquid assets, but they can be part of the mix.

"I predict governments will increasingly be encouraging people into investments that produce lifetime income streams. That is, ones that provide a set amount of money each year for as long as you live. There are lifetime annuities that work that way around now but the low rates they offer mean they aren't popular."

"There's a range of different annuities, all of which have their pros and cons," Raftery says. "In general, annuities work best for those who worry they will be tempted to go on a spending spree and run down their retirement funds quickly."

### FINAL TIP – INVEST IN FINANCIAL ADVICE

Lots of Australians retire with inadequate super. Plenty more mismanage large sums of money they've spent their working lives accumulating. Robinson and Raftery argue the biggest mistake they see people making is failing to seek professional advice.

"It's no simple matter calculating how long you're likely to live, how much money you need to put into super before retirement and how much it's sensible to be drawing out of it once you've stopped working. And that's before factoring in things such as market fluctuations and governments changing taxation arrangements," says Raftery.

"That's why I advise retirees to find a helpful and experienced financial planner and meet with them on an annual basis."

## REVIEW YOUR PRODUCT

Investing in your future starts with you.

It's important to take personal interest and ownership of your superannuation and investments and regularly review them to make sure they are appropriate, affordable and aligned to your circumstances. And there's no better time to do this than when you receive your annual statement.

Take action in just five steps:

1. **Review the investment performance in your statement** – How have your selected investments performed? What other options exist? Could there be more appropriate ones you can invest in to maximise your return?
2. **Review the fees you have paid in your statement** – Are all of the fees listed correct? Have you received advice if you've paid for it? Are there more affordable solutions available to you in your current product or within the category?
3. **Review your level of insurance cover** – Is your cover appropriate, affordable and necessary for your current situation, needs and stage of life? Or are the fees eroding your account balance?
4. **Review your financial goals and plan** – What are your financial goals? Are your investments tracking towards them? Is your level of risk appropriate to help you achieve your goals?
5. **Speak to your financial planner** – Your financial planner can help you review your situation and address the questions above.

### WE WILL ALL NEED CARE AT SOME POINT. SO PLAN FOR IT

Some day you may find you can no longer live independently in your home. Seeking advice before such an event helps you plan for such a life change

Go online to find out more today.

**anz.com/investorupdate**

Nigel Bowen is a writer and sub editor specialising in lifestyle and business, based in Sydney.

The opinion expressed in this article is the opinion of the author and not necessarily that of ANZ. For more information, speak to your financial planner.

# WHAT IS DRIVING YOUR INVESTMENT PERFORMANCE?

Mark Rider, ANZ Wealth's Chief Investment Officer, looks at what's influencing financial markets and investment returns.

Over the past year the 'good times rolled' and we saw the best growth in the world economy since 2010. Company profits have been very strong, supporting solid share market returns, well in excess of cash and bond market returns. While 2017's strength continued into early 2018, the share market perhaps got a little ahead of itself and returns have been more moderate in the past six months. Let's look at the factors likely to drive investment market returns for the coming year.

## BACK TO NORMAL FOR US INTEREST RATES

The outlook for US inflation is one of the key issues for financial markets. Reflecting good economic momentum, the US Federal Reserve (Fed) first moved off historically low rates in December 2015 and since this time has gradually raised the key Fed funds rate as it normalises monetary policy to keep inflation in check. With the US unemployment rate at a two decade low, wage growth is expected to rise in the period ahead, prompting further increases in rates as the Fed attempts to slow the US economy.

## THE POLITICAL BACKDROP

Politics has been a key driver of market volatility in the past year. On the positive side, large US tax cuts and increased budget spending have been a shot in the arm for business confidence in the US. However, US President Trump's trade war threats, the 'off' and then 'on' talks with North Korea, supposed campaign links to Russia, and sanctions imposed on Iran have at times worked in the opposite direction. In Europe, Brexit and political turmoil in Italy have also had their impact. Without doubt the coming year is likely to see politics feature in market movements. However, despite all of the noise, the economic environment has remained solid with company earnings growth remaining a bright spot, supporting share markets.

## CHINA NAVIGATES THE WAY TO A SOFT LANDING

Since the GFC the Chinese government has deftly navigated the Chinese economy on a glide path to a soft landing. The economy's main engines have changed over the past decade with growth increasingly driven by the consumer and the services sector and less so by construction and exports. The latter nevertheless remains critical for the Australian economy, and particularly the Resources sector. While we expect this to continue in the year ahead, risks on the horizon from a potential trade war with the US warrant caution.

### AUSTRALIAN GROWTH REMAINS SOLID

Although lagging global counterparts, Australian shares have continued to deliver solid returns as company profits recover. For the economy, the story has been mixed. While Australian business confidence is at a high level, low wages growth has held back consumer confidence and household spending despite falling unemployment. With inflation remaining low, the Reserve Bank of Australia (RBA) is likely to be on hold for some time yet, continuing the period of record low interest rates. Along with some support from the May budget's proposed personal tax cuts, domestic drivers of growth remain supportive. Overseas developments are likely to be crucial for the economy and share market in the year ahead.

### US DOLLAR STRENGTH

The US dollar has strengthened as the Fed gradually raised interest rates offering investors an increasingly higher yield on US debt versus Japan, Europe and emerging markets. Closer to home the AUD has weakened a little over the past year as the RBA has remained content to keep rates on hold.

While this trend may continue into the future, it is reliant on a sustained period of rate hikes by the Fed, which is far from guaranteed.

Recent turmoil in a number of larger emerging market economies such as Turkey and Argentina flags the world economy may not be able to sustain a period of much higher rates.

### ALL UP – GOOD TIMES FADE, NOT ROLL

We can summarise what's happening now as consistent with our 'good times fade' thematic. Compared to the roar of the high-return markets of recent years, the year ahead may see more subdued returns as economic growth slows, interest rates move higher and political risks remain. For the moment we remain positive about future growth and hold a small preference for growth assets – the share market offers better prospects for returns than bonds or cash.



## HOW ARE WE MANAGING YOUR INVESTMENTS?

ANZ's range of diversified funds are a careful mix of asset classes that provide you with a diversified exposure to global and Australian share and bond markets.

The mix of growth and defensive assets differ by fund to suit your tolerance to the variability of investment returns. There are more of the 'riskier' asset classes such as shares in Growth funds versus more defensive assets, such as cash, in Conservative funds.

The year to 30 June 2018 has been solid in terms of financial outcomes for many of our customers due to the returns from equities. Many of ANZ's diversified funds, from Conservative through to Growth, have delivered positive returns over the 12-month period. Despite low returns available from bonds and cash investments, Australian and international shares delivered higher returns, and further demonstrated the expected benefits of diversification.

Given the current balance of a strong global economy and rising although still relatively contained risks, it is too early for us to hold a defensive position towards growth assets such as shares. That said, caution is warranted as we await more clarity on inflation and the prospects for interest rates and global trade policy.

To justify a change in position to a more defensive stance one such catalyst would be a faster than expected pick-up in inflation. This would signal the risk of an earlier than expected end of the investment cycle as central banks would respond with higher rates. For now, however, indicators show economic growth remains solid, though a little slower, with only modestly higher inflation.

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

# FEDERAL BUDGET 2018: TAX AND SUPER REFORMS

Tax relief, and super reforms particularly for those with low balances, were at the centre of the Federal Budget, writes Gayle Bryant.

There were a few surprises in the Federal Government's 2018 Budget (the 'budget') around superannuation. Essentially, in its reforms, the government will make it easier for people to cost-effectively manage their super through six main measures:

- superannuation accounts of $6,000 will have fees capped at 3 per cent a year
- fees to exit a superannuation fund will be banned
- a new requirement will be introduced requiring inactive super accounts with balances less than $6,000 to be transferred to the Australian Taxation Office (ATO)
- young people, or those with an inactive or a low balance, will have to opt-in to life insurance
- recent retirees will be allowed to make additional super contributions through a work-test exemption
- members working for multiple employers, who earn more than $263,157, will be able to nominate that income from certain employers is not subject to the superannuation guarantee. This measure will allow these members to avoid unintentionally breaching the $25,000 concessional contributions cap as a result of multiple compulsory superannuation guarantee contributions.

It is important to note that at the time of writing these changes were not yet law and subject to change.

Introduced as part of the government's "Protecting your super" package, the ban on exit fees will apply from 1 July 2019, and will cover all super accounts regardless of age or balance.

For low-balance super accounts (defined as a balance below $6,000) passive fees can only amount to a maximum 3 per cent of the balance, which will help stop fees eroding such small balances.

For those who haven't consolidated their accounts, the government will start taking proactive steps to do it for you. In his budget speech, Federal Treasurer Scott Morrison announced the ATO will proactively reunite people's inactive or lost super and have it sent to their active super accounts. And inactive super accounts with balances less than $6,000 will be transferred to the ATO.

From 1 July 2019, insurance within super will become an opt-in model for members aged under 25 and those with low balances.

The move will also apply to members who have not made a contribution in the previous 13 months and are inactive.

With the changes to insurance, Morrison said young people would no longer have to pay for insurance they don't want or need. But, the Association of Superannuation Funds of Australia chief executive officer Martin Fahy warned "many young people have dependants and financial commitments so in the instance of a tragic event occurring, particularly disablement early in life, having insurance in place is extremely valuable".

Additionally, from 1 July 2019, those aged 65 to 74 with a total super balance below $300,000, may rely on an exemption to the work test to voluntarily contribute to superannuation. This exemption applies to the first year a person does not meet the work test.

## PERSONAL TAX CUTS

A three-part, seven-year personal tax plan was designed to deliver "what can be responsibly afforded while keeping the budget on track", according to Morrison.

The tax plan included delivering immediate relief of $530 a year to the 4.4 million Australians who earn between $48,000 and $90,000.

The three parts of the tax plan included relief for low and middle-income earners; reduction of bracket creep; and ensuring more Australians pay less tax by simplifying personal taxes.

### Tax threshold changes passed into law

| Tax rate (%) | Previous ($) | Current 1 July 2018 ($) | 1 July 2022 ($) | 1 July 2024 ($) |
|---|---|---|---|---|
| 0 | 0-18,200 | 0-18,200 | 0-18,200 | 0-18,200 |
| 19 | 18,201-37,000 | 18,201-37,000 | 18,201-41,000 | 18,201-41,000 |
| 32.5 | 37,001-87,000 | 37,001-90,000 | 41,001-120,000 | 41,001-200,000 |
| 37 | 87,001-180,000 | 90,001-180,000 | 120,001-180,000 | (no longer exists) |
| 45 | 180,001-plus | 180,001-plus | 180,001-plus | 200,001-plus |

Source: Budget Papers

## TAX RELIEF FOR LOW-TO-MIDDLE INCOME EARNERS

From the 2018-19 financial year, there will be a new non-refundable tax offset for low and middle income earners. Those earning less than $37,000 will have a tax offset of $200; those between $37,000 and $48,000 will receive between $200 and $530, and those earning between $48,000 and $90,000 will receive $530.

For those on more than $90,000, the tax offset will reduce by 1.5¢ for every dollar above $90,000 until it cuts out at just over $125,000.

According to the Treasurer, for middle-income households with both parents working on average wages, "this will boost their 'kitchen table' budget by more than $1,000 every year".

Because they are non-refundable tax offsets, taxpayers will only see the benefit at tax time next year when they can claim the offset to reduce their tax bill (any excess tax offset cannot be refunded).

## REDUCTION OF BRACKET CREEP

For the 2018-19 financial year, the income threshold for the 32.5 per cent tax bracket rises from $87,000 to $90,000. This move means that someone earning $90,000 a year enjoys a total of $665 a year tax saving from the new tax offset and increased threshold ($530 tax offset plus $135 increased threshold saving). For those earning more than $90,000, the $665 saving gradually reduces together with the diminishing tax offset.

The broadening tax bracket means that about 210,000 taxpayers who earn between $87,000 and $90,000 won't be pushed into the 37 per cent tax bracket.

This again changes from the 2022-23 financial year when the same threshold will rise from $90,000 to $120,000. The threshold for the 19 per cent tax bracket will also rise from $37,000 to $41,000 at this time.

## ABOLISHING THE 37 PER CENT BRACKET

The Treasurer's tax plan culminates in the 2024-25 financial year where the 37 per cent tax bracket will be abolished entirely. This will reduce the number of tax brackets from five to four. The top marginal tax rate remains at 45¢ but the threshold it applies from rises from $180,001 to $200,001. This means all Australian taxpayers who are earning between $41,000 and $200,000 annually will only pay 32.5¢ in the dollar from this time.

## OLDER AUSTRALIANS

Some of the biggest changes for older Australians in years were announced in this year's budget.

The Treasurer said the government would spend $1.6 billion over four years to create 14,000 new home-care places, aimed at helping older Australians stay at home longer rather than moving into residential aged care.

> There will also be extra money for aged-care services in regional Australia and more support for mental health services in aged-care facilities.

The government also committed $11 million to expand the pensions loan scheme. The scheme involves a form of "reverse mortgage" that currently lets part-rate pensioners and people ineligible for the age pension because of the income or assets test, to borrow against their own property to top-up their entitlement, up to the maximum rate of pension. The scheme will be expanded to all pensioners (including full-rate pensioners) and anyone over age pension age, and will allow them to top-up their entitlement to up to 150 per cent of the maximum rate of pension.

Pensioners will also be able to work for longer as the government will increase the pension work bonus from $250 to $300 a fortnight. This lets pensioners earn up to $7,800 a year without their pensions being affected. The work bonus has been expanded to apply to self-employed pensioners with the Treasurer saying "it's never too late to start a business".

Gayle Bryant is a freelance financial and business journalist and sub-editor based in Sydney.



For more information on these and other proposed budget measures, go to **budget.gov.au** or speak to your financial planner.

# IMPORTANT CHANGES AND INFORMATION

A summary of significant product or regulatory changes that may impact your account.

## 1 YOUR 2018 ANNUAL REPORT

For ANZ Personal Superannuation Bond, ANZ Direct Super Investments and ANZ Allocated Pension we have also produced an Annual Report containing other important information associated with your membership, which will be available on our website at anz.com > Personal > Investing & Super > Resources then refer to the OnePath MasterFund Annual Report under Financial Reports and Tax Guides.

You can also elect to receive an electronic or hard copy free of charge by calling Customer Services on 13 38 63.

## 2 INVESTMENT PERFORMANCE

This section is only relevant to investors of **ANZ Traditional Policies** and **ANZ Savings Products**.

| Investment fund | One year return (%) | Five year return (%) | Ten year return (%) |
|---|---|---|---|
| ANZ Capital Guaranteed Fund* Spectrum, Investor Plus, Growing Investor, Investor M S Premier Plan, Money Plus, Regular Savings Plan | 0.95 | 1.86 | 2.53 |
| ANZ Capital Guaranteed Fund* Regular Investor/Investor | 0.57 | 1.42 | 2.04 |
| ANZ Managed Fund | 6.66 | 6.74 | 4.15 |

* The one year return is interest calculated on the account's daily balance, being credited at the declared rate applicable as at 30 June. The five-year return is the compound average return of the yearly returns over the last five years. The ten-year return is the compound average return of the yearly returns over the last ten years.

Investments can go up and down. Past performance is not indicative of future performance. Whilst every care has been taken in the preparation of this information, no warranty is given as to the accuracy of the information contained in the investment returns table and no liability is accepted by OnePath Custodians, OnePath Life or any related body corporate for any error or omission.

### Important to note

This document replaces the Annual Report in 2018 for the following products:

- ANZ Traditional Policies (except superannuation)
- ANZ Savings Products (except superannuation)
- ANZ Term Life Policies (except superannuation).

## 3 BONUS DECLARATION AND POLICY INFORMATION

| Investment fund | One year return (%) |
|---|---|
| ANZ Capital Guaranteed Fund | Interest is calculated on the daily balance of your account, which is credited at the applicable declared rate at 30 June each year, or on exit from the fund. Interest on contributions is paid with effect from the 16th of the month in which the premium falls due. |
| ANZ Managed Fund | The fund issues units, with each unit representing a share of the underlying assets. The value of the units will vary depending on the value of the assets of the fund. Your investment balance is the number of units you hold multiplied by the unit price. The earnings of the fund (after deduction of management fees and taxes) are reflected by changes in the unit price. The value of your units may rise or fall. |

### ANZ Traditional Policies

Traditional Policies include Endowment, Whole of Life and Moneymaster Policies, and are either participating or non-participating.

**Participating policies** return a guaranteed amount at death and for Endowment policies, at a date specified in your policy document, to which bonus amounts are added yearly. Such bonuses are allocated from profits of the sub-fund, which are principally from investment returns in excess of what is required to meet the guaranteed benefits. Bonuses declared are also guaranteed.

**Non-participating policies** return a guaranteed amount at death and for Endowment policies, at a date specified in your policy document. Non-participating policies do not participate in the profits of their sub-fund and consequently do not receive bonuses.

### Bonus declarations

The reversionary bonus rates (per $1,000 of sum insured) for participating policies are shown in the following table. Reversionary bonuses are annual bonuses that are not payable in cash but added to the sum insured and are payable under the same conditions as the sum insured, at the time of death, maturity or as a lesser value on surrender of the policy. Reversionary bonuses are guaranteed once declared and added to the policy. Bonus rates are declared as at 31 December each year unless otherwise notified by OnePath Life.

In addition, a terminal bonus is also currently in operation for participating policies. A terminal bonus is a cash bonus that is added to the cash value of a policy. The terminal bonus is payable on death, maturity or surrender of the policy. The continued operation and the level of the terminal bonus are not guaranteed.

| Year | 2017 $* | 2016 $* | 2015 $# | 2014 $^ | 2013 $^ | 2012 $* |
|---|---|---|---|---|---|---|
| GPL: Post-1974 | 30.50 | 30.50 | 35.50 | 45.50 | 45.50 | 30.50 |
| Moneymaster | 54.50 | 54.50 | 59.50 | 69.50 | 69.50 | 54.50 |
| GPL: Pre-1974 | 35.00 | 35.00 | 40.00 | 50.00 | 50.00 | 35.00 |
| Low Bonus | 20.50 | 20.50 | 25.50 | 35.50 | 35.50 | 20.50 |
| Ex-Yorkshire | 35.00 | 35.00 | 40.00 | 50.00 | 50.00 | 35.00 |
| Ex-Skandia | 35.00 | 35.00 | 40.00 | 50.00 | 50.00 | 35.00 |

* $38.50 for policies originally issued as non-superannuation.
\# $43.50 for policies originally issued as non-superannuation.
^ $53.50 for policies originally issued as non-superannuation.

Traditional policies have a number of features and benefits including the security of life cover and bonus entitlements, which increase over the term of the policy. Please note that future bonus rates are not guaranteed and the rate of bonus declared depends on economic conditions and the operation of the participating policy sub-fund.

## 4 ANZ DIVERSIFIED FUNDS – STRATEGIC ASSET ALLOCATION CHANGES

From 18 September 2017, the strategic asset allocation benchmarks and associated ranges of ANZ's diversified funds (the 'Funds') were adjusted.

We believe these changes will better position the Funds to meet their investment objective as lower returns are expected from cash over the next 10 years. Furthermore, the investment ranges remain sufficiently broad to allow the investment team to manage downside risks effectively. These changes will not impact the Fund's investment strategies, investment objective or level of investment risk.

The changes are outlined in the tables below.

### Gateway Conservative

| | Previous | | | Effective 18 September 2017 | | |
|---|---|---|---|---|---|---|
| Asset Class† | Bench-mark (%) | Min Range (%) | Max Range (%) | Bench-mark (%) | Min Range (%) | Max Range (%) |
| Cash | 20 | 7 | 43 | 7 | 0 | 27 |
| Australian fixed interest | 18 | 5 | 31 | 22 | 12 | 32 |
| International fixed interest | 20 | 7 | 33 | 20 | 10 | 30 |
| Listed real assets | 3 | 0 | 12 | 4 | 0 | 12 |
| Australian shares | 12 | 0 | 25 | 10 | 0 | 20 |
| International shares | 10 | 0 | 23 | 12 | 2 | 22 |
| Alternative assets | 17 | 5 | 29 | 25 | 13 | 37 |

† The maximum exposure to growth assets for the Gateway Conservative Fund is 43%. International shares may include exposure to emerging market and/or global small cap securities. Listed real assets may include allocations to Global Listed Property and Listed Infrastructure. The Alternative Assets portfolio may include investments such as hedge funds, infrastructure, private equity and real estate. These assets may require a longer period of time to liquidate (i.e. greater than 30 days).

### Gateway Balanced

| | Previous | | | Effective 18 September 2017 | | |
|---|---|---|---|---|---|---|
| Asset Class† | Bench-mark (%) | Min Range (%) | Max Range (%) | Bench-mark (%) | Min Range (%) | Max Range (%) |
| Cash | 8 | 0 | 31 | 5 | 0 | 25 |
| Australian fixed interest | 14 | 0 | 32 | 17 | 2 | 32 |
| International fixed interest | 17 | 0 | 35 | 14 | 0 | 29 |
| Listed real assets | 3 | 0 | 12 | 6 | 0 | 16 |
| Australian shares | 20 | 2 | 38 | 18 | 3 | 33 |
| International shares | 19 | 1 | 37 | 20 | 5 | 35 |
| Alternative assets | 19 | 5 | 33 | 20 | 4 | 36 |

† The maximum exposure to growth assets for the Gateway Balanced Fund is 69%. International shares may include exposure to emerging market and/or global small cap securities. Listed real assets may include allocations to Global Listed Property and Listed Infrastructure. The Alternative Assets portfolio may include investments such as hedge funds, infrastructure, private equity and real estate. These assets may require a longer period of time to liquidate (i.e. greater than 30 days).

## Gateway Growth

| Asset Class† | Previous | | | Effective 18 September 2017 | | |
|---|---|---|---|---|---|---|
| | Bench-mark (%) | Min Range (%) | Max Range (%) | Bench-mark (%) | Min Range (%) | Max Range (%) |
| Cash | 4 | 0 | 27 | 3 | 0 | 23 |
| Australian fixed interest | 8 | 0 | 31 | 9 | 0 | 29 |
| International fixed interest | 9 | 0 | 32 | 8 | 0 | 28 |
| Listed real assets | 3 | 0 | 12 | 6 | 0 | 16 |
| Australian shares | 29 | 6 | 52 | 27 | 7 | 47 |
| International shares | 27 | 4 | 50 | 29 | 9 | 49 |
| Alternative assets | 20 | 6 | 34 | 18 | 1 | 38 |

† The maximum exposure to growth assets for the Gateway Growth Fund is 93%. International shares may include exposure to emerging market and/or global small cap securities. Listed real assets may include allocations to Global Listed Property and Listed Infrastructure. The Alternative Assets portfolio may include investments such as hedge funds, infrastructure, private equity and real estate. These assets may require a longer period of time to liquidate (i.e. greater than 30 days).

## Gateway Aggressive

| Asset Class† | Previous | | | Effective 18 September 2017 | | |
|---|---|---|---|---|---|---|
| | Bench-mark (%) | Min Range (%) | Max Range (%) | Bench-mark (%) | Min Range (%) | Max Range (%) |
| Cash | 0 | 0 | 23 | 1 | 0 | 21 |
| Australian fixed interest | 4 | 0 | 27 | 4 | 0 | 24 |
| International fixed interest | 6 | 0 | 29 | 5 | 0 | 25 |
| Listed real assets | 3 | 0 | 12 | 8 | 0 | 18 |
| Australian shares | 35 | 12 | 58 | 34 | 14 | 54 |
| International shares | 34 | 11 | 57 | 35 | 15 | 55 |
| Alternative assets | 18 | 4 | 33 | 13 | 0 | 33 |

† The maximum exposure to growth assets for the Gateway Aggressive Fund is 100%. International shares may include exposure to emerging market and/or global small cap securities. Listed real assets may include allocations to Global Listed Property and Listed Infrastructure. The Alternative Assets portfolio may include investments such as hedge funds, infrastructure, private equity and real estate. These assets may require a longer period of time to liquidate (i.e. greater than 30 days).

## ANZ Conservative and ANZ Diversified Stable

| Asset Class† | Previous | | | Effective 18 September 2017 | | |
|---|---|---|---|---|---|---|
| | Bench-mark (%) | Min Range (%) | Max Range (%) | Bench-mark (%) | Min Range (%) | Max Range (%) |
| Cash | 20 | 7 | 43 | 7 | 0 | 27 |
| Australian fixed interest | 18 | 5 | 31 | 22 | 12 | 32 |
| International fixed interest | 20 | 7 | 33 | 20 | 10 | 30 |
| Listed real assets | 3 | 0 | 12 | 4 | 0 | 12 |
| Australian shares | 12 | 0 | 25 | 10 | 0 | 20 |
| International shares | 10 | 0 | 23 | 12 | 2 | 22 |
| Alternative assets | 17 | 5 | 29 | 25 | 13 | 37 |

† The maximum asset allocation to growth assets for the ANZ Conservative and ANZ Diversified Stable Fund is 43%. Listed Real Assets may include allocations to Global Listed Property and Infrastructure Securities. International shares may include exposure to emerging markets and/or global small cap securities. The Alternative Assets portfolio may include investments such as hedge funds, infrastructure, private equity and real estate. These assets may require a longer period of time to liquidate (i.e. greater than 30 days).

## OnePath Balanced and ANZ Balanced

| Asset Class† | Previous | | | Effective 18 September 2017 | | |
|---|---|---|---|---|---|---|
| | Bench-mark (%) | Min Range (%) | Max Range (%) | Bench-mark (%) | Min Range (%) | Max Range (%) |
| Cash | 8 | 0 | 31 | 5 | 0 | 25 |
| Australian fixed interest | 14 | 0 | 32 | 17 | 2 | 32 |
| International fixed interest | 17 | 0 | 35 | 14 | 0 | 29 |
| Listed real assets | 3 | 0 | 12 | 6 | 0 | 16 |
| Australian shares | 20 | 2 | 38 | 18 | 3 | 33 |
| International shares | 19 | 1 | 37 | 20 | 5 | 35 |
| Alternative assets | 19 | 5 | 33 | 20 | 4 | 36 |

† The maximum asset allocation to growth assets for the OnePath Balanced Fund and ANZ Balanced Funds is 69%. Listed Real Assets may include allocations to Global Listed Property and Infrastructure Securities. International shares may include exposure to emerging markets and/or global small cap securities. The Alternative Assets portfolio may include investments such as hedge funds, infrastructure, private equity and real estate. These assets may require a longer period of time to liquidate (i.e. greater than 30 days).

### ANZ Managed Fund and ANZ Managed Growth

| Asset Class† | Previous | | | Effective 18 September 2017 | | |
|---|---|---|---|---|---|---|
| | Bench-mark (%) | Min Range (%) | Max Range (%) | Bench-mark (%) | Min Range (%) | Max Range (%) |
| Cash | 4 | 0 | 27 | 3 | 0 | 23 |
| Australian fixed interest | 8 | 0 | 31 | 9 | 0 | 29 |
| International fixed interest | 9 | 0 | 32 | 8 | 0 | 28 |
| Listed real assets | 3 | 0 | 12 | 6 | 0 | 16 |
| Australian shares | 29 | 6 | 52 | 27 | 7 | 47 |
| International shares | 27 | 4 | 50 | 29 | 9 | 49 |
| Alternative assets | 20 | 6 | 34 | 18 | 1 | 38 |

† The maximum exposure to growth assets for the ANZ Managed Growth Fund is 93%. International shares may include exposure to emerging market and/or global small cap securities. Listed real assets may include allocations to Global Listed Property and Listed Infrastructure. The Alternative Assets portfolio may include investments such as hedge funds, infrastructure, private equity and real estate. These assets may require a longer period of time to liquidate (i.e. greater than 30 days).

## 5 BLACKROCK WHOLESALE BALANCED FUND – CHANGES TO ASSET ALLOCATION

**In August 2017, BlackRock Investment Management Australia Limited (BlackRock) made changes to the underlying fund's investment objective, strategy and strategic asset allocation. These changes allow for:**

- transition to a more diversified SAA;
- greater use of tactical asset allocation; and
- increased flexibility to better manage total portfolio risk during periods of market extremes.

As the ANZ Allocated Pension Fund (the 'Fund') invests wholly in the underlying fund, we adopted the following changes for the Fund:

### Change in the investment objective

BlackRock has advised the new investment objective of the underlying fund aims to outperform peer performance consistent with a 'growth' orientated investment strategy encompassing:

- a broadly diversified exposure to Australian and international assets;
- active asset allocation, security selection and risk management;
- flexibility to deviate meaningfully from the strategic asset allocation to help manage total portfolio risk.

The underlying fund aims to outperform its benchmark indices over a 5-year rolling period before fees.

### Change in the strategic asset allocation

BlackRock conducts regular reviews of the strategic asset allocation of its funds. The strategic asset allocation weights were adjusted to reflect the underlying manager's expectations of risks and returns. The changes are outlined in the table in the next column:

| Asset class | Previous (%) | Effective August 2017 (%) | Change (%) |
|---|---|---|---|
| Australian shares | 32.00 | 30.00 | -2.00 |
| Australian property | 5.50 | 0.00 | -5.50 |
| International shares | 28.75 | 29.00 | 0.25 |
| International listed property | 2.00 | 6.00 | 4.00 |
| International listed infrastructure | 0.00 | 3.00 | 3.00 |
| Emerging market shares | 0.00 | 3.00 | 3.00 |
| Total growth assets | 68.25 | 71.00 | 2.75 |
| Australian fixed income | 14.00 | 15.00 | 1.00 |
| International fixed income | 8.00 | 6.00 | -2.00 |
| Emerging market USD bonds | 0.00 | 3.00 | 3.00 |
| Cash* | 9.75 | 5.00 | -4.75 |
| Total defensive assets | 31.75 | 29.00 | -2.75 |

* The underlying fund's cash allocation may include exposure to underlying funds through which active allocations are made.

### Change to the name of the underlying fund

The underlying fund has been renamed, from BlackRock Wholesale Balanced Fund to BlackRock Tactical Growth Fund. The name of the Fund on ANZ Allocated Pension Plan has not yet changed, however we expect to change the name to be consistent with the underlying fund at a future date.

## 6 CHANGE TO INCOME STREAM REPORTING TO THE DHS FROM 1 JANUARY 2019

**If you are a Centrelink benefit recipient or card holder, from 1 January 2019 you will no longer have to provide details of your income stream (as currently provided in your annual ANZ Centrelink schedule - form SA330) to the Department of Human Services (DHS).**

Recent legislative changes require certain income stream providers (e.g. ANZ) to provide prescribed information electronically to the DHS directly, on a periodic basis. The new process means that you do not need to provide your ANZ Centrelink schedule to the DHS after 31 December 2018.

If you currently provide your ANZ Centrelink schedule to the Department of Veterans' Affairs (DVA), you can continue to do so. The new electronic reporting only applies to the DHS.

In addition, if you start a new income stream or otherwise alter your income stream payments from the information previously provided to the DHS, you will need to update the DHS with the new information, in the same way that you currently do. It will not be reported to the DHS electronically until the next reporting period.

Moving forward you will continue to receive your annual Centrelink schedule, but this is the last year you will need to provide it to the DHS.

For further information you can visit the DHS website humanservices.gov.au > organisations > business > news > automation-income-stream-reviews.

## 7 EARLY RELEASE OF SUPERANNUATION UNDER COMPASSIONATE GROUNDS

From 1 July 2018, under new legislation the Department of Human Services (DHS) will no longer be administering Early Release of Superannuation under Specified Compassionate Grounds. From this date, the ATO will be overseeing the administration of all Specified Compassionate Ground requests.

## 8 AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY LEVY AND REGULATORY CHANGE EXPENSE RECOVERY

This section is only applicable to superannuation and pension accounts.

Australia's superannuation system is amongst the best in the world.* It is well regulated, however it is also very complex, and has undergone a large amount of regulatory change and Government reforms in recent years.

All Australian Prudential Regulation Authority (APRA) regulated superannuation funds are charged an APRA Levy each year to recover the general operational costs of APRA. The cost of this levy is passed onto members of the OnePath MasterFund (Fund), resulting in 0.006% being applied against the investments of the Fund for the 12 months to 30 June 2018.

In addition, to cover some of the costs incurred to comply with the Government's superannuation regulatory changes and consistent with the approach taken by many superannuation funds across the industry, the Trustee approved an expense recovery of 0.037% to be applied against the investments of the Fund for the 12 months to 30 June 2018.

In June 2018, the APRA levy and Regulatory Change expense recovery of 0.043% was deducted from the unit price of each of your investment option(s), excluding OnePath and ANZ Capital Guaranteed funds. As an example, for a member with a balance of $50,000, the total impact of this deduction was $21.50.

Please note, the levy and expense recovery are charged directly from your account. They are deducted from the unit price of each of your investments and will appear on your statement as 'Administration Fee (other)'.

For the 12 months to 30 June 2019 we estimate the APRA levy and expense recovery will be up to 0.08% p.a., which will be reflected in the unit price for members on the day the levy and expense recovery are charged.

* Source: the Melbourne Mercer Global Pension Index report from 2017. Australia was one of only three countries to receive a B+ rating (no countries received an A – see page 6).

## 9 CHANGES TO COMPLAINTS RESOLUTION SERVICES FROM 1 NOVEMBER 2018

From 1 November 2018 the Superannuation Complaints Tribunal (SCT) and the Financial Ombudsman Service (FOS) will cease to hear new complaints. From this date new complaints should be directed to the Australian Financial Complaints Authority (AFCA). Any issues already registered with FOS or the SCT will continue to be handled by these bodies.

Australian Financial Complaints Authority

GPO Box 3, Melbourne, VIC 3001
Phone: 1800 931 678
Email: info@afc.org.au
Website: www.afca.org.au

## 10 ARE YOUR CONTACT DETAILS UP TO DATE?

For superannuation accounts, if you are under age 65 and we do not have contact details for you, you have not contacted us during the last 12 months, and we have not received a contribution or rollover from you, or on your behalf, in the last 12 months, we may be required to close your account and pay it to the Australian Taxation Office (ATO), if your balance is under the legislated threshold. The threshold is $6,000 from 31 December 2016.

Once this happens, you will lose any insurance associated with the account, and will need to contact the ATO about payment options. Although you can request the monies be redirected to OnePath, this would generally require a new account to be set up, which is not available for all products, and would have pre-existing conditions limitations on any insurance.

Because we don't have your contact details, you will not be provided with prior notification of this happening or confirmation from us that it has happened. However, you will be able to see the amount as Unclaimed Monies by logging on to the MyGov website, my.gov.au

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

In the 2018/19 Federal Budget, the government announced changes to supplement the current regime for transferring lost member balances to the ATO, to protect members with low balances. From the 2019/20 financial year, superannuation funds will be required to transfer inactive accounts (i.e. no contribution has been received within the last 13 months) with balances below $6,000 to the ATO.

In addition the ATO will be able to consolidate the amount with an active account of the member where the balance of the consolidated account is $6,000 or more. This proposed change is yet to be legislated and may be subject to change during this process.

## 11 ANNUAL STATEMENTS FOR SUPER – ADDITIONAL EXPLANATORY NOTES

The following explanatory notes are to be read together with your 2018 Annual Statement for your super account. If you have any further questions about your Annual Statement, please speak to your financial planner or call Customer Services on 13 38 63.

### Contributions tax

Contributions tax of 15% will apply to any super contributions that you make before tax (concessional contributions). This includes contributions made by your employer (including salary sacrifice contributions) and contributions you are eligible to claim as a personal tax deduction (subject to lodgement of a valid 'Notice of intent to claim a tax deduction' form).

In calculating the amount of tax payable, we may make allowance for the benefit of tax deductions 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 on these contributions will only appear in the Annual Statement if we received your 'Notice of intent to claim a tax deduction' form by the relevant date and the notice has been acknowledged by the Trustee.

Tax at a rate of 15% also applies to the untaxed element of a roll-over 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 income for surcharge purposes plus your low tax contributions for a financial year exceeds $250,000 (from 1 July 2017). For further information please visit the ATO website at 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 from the withdrawal amount as any no-TFN contributions tax is deducted from the withdrawal amount and not from the preservation components.

### Super Guarantee Allocation

The Super Guarantee 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 2018/19) obligation and any interest earned. The Super Guarantee 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 Super Guarantee Allocation by the ATO. This Super Guarantee 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 contributions

Government contributions can include the Government co-contribution and the Low Income Superannuation Contribution Tax Offset (LISTO) from 1 July 2017 (or Low Income Superannuation Contribution or LISC before 1 July 2017).

The Government co-contribution helps eligible low and middle income earners who make personal (after-tax) contributions boost their superannuation. The amount of the co-contribution (maximum $500) depends on your income and how much you contribute.

The LISTO effectively returns the 15% contributions tax (up to $500) on concessional contributions made in a financial year for low income earners.

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. You should speak to your financial planner or contact the ATO in relation to the amount paid.

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