


super MATTERS

Winter 2011



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A message from the CEO

Welcome to our July edition of SuperMatters. New financial year, new Federal Budget – how will superannuation be affected in 2011/12? We understand it's hard to keep track of the yearly changes the government implement, so we've included a budget overview in this issue, providing a snapshot of the changes the Federal Budget have announced and how they may impact you.

In the interests of helping our employers keep on top of their super obligations, we've also included some information to get you on the front foot this financial year. If you have any questions about making your contributions, our team of Client Service Managers are available to help - so don't hesitate to give us a call.

There's been a lot of chatter about the Aussie Dollar lately – but what does its worth mean for Australians? The 'Impact of exchange rates' article provides a quick overview of how and why it affects our local exports - of which tourism is a significant market.

We take retirement very seriously, but we also want our members to enjoy the benefits of being with Intrust Super right now, so we've enhanced our member rewards offerings with some great benefits that you can pass onto your staff. Details are included on the back page or you can visit www.intrust.com.au for a full list of benefits.

On a housekeeping note, in accordance with legislation we will be replacing our current Core Super Product Disclosure Statement (PDS) with a more concise 8 page version as of 1 July 2011. Visit www.intrust.com.au to fill out an order form and we'll deliver the most-to-date version for your staff.

If you have any suggestions for future editions of this newsletter, please do not hesitate to drop me a note and we will endeavour to cover the issues for you in an upcoming Super Matters. At Intrust Super we are at your service.

Brendan O'Farrell

Chief Executive Officer



Budget Update

The Budget provided little new on superannuation. The key impacts for superannuation include measures on:

- Securing super
- Freezing of co-contribution thresholds and maximum payment
- Confirmation of extension to contribution caps for over-50s
- Some relief from tax on excess concessional contributions
- Greater use of Tax file numbers



For members, the co-contribution will remain the same for the 2011/12 year at a maximum of \$1,000 with the income thresholds also remaining unchanged. The rules surrounding excess contributions are welcomed, with those breaching their cap as a first offence now able to withdraw excess contributions of up to \$10,000. This could help members from being sluggish with the excess contributions tax of 46.5% going forward.

From an employer's point of view there is one important change to note. From July 2012, employers will need to record superannuation contributions actually paid on their employees' payslips. This will alert employees to any delay in payment. Superannuation funds will be required to advise employers and employees of any change in regular payments.

More detailed information is provided on these changes below:

Securing super

The Government will ensure that employees receive information on their payslips about the amount of superannuation actually paid into their account; and employees and employers will receive quarterly notification from their superannuation fund if regular payments cease, with effect from 1 July 2012.

This measure will help members to keep track of their employer's contributions, and take action where there is a shortfall. Additionally, the Government proposes that directors of companies be personally liable should their company fail to pay superannuation guarantee contributions.

Co-contribution thresholds

Under the co-contribution scheme the Government matches contributions made by eligible members to their superannuation accounts out of after tax income. The matching contribution is up to \$1,000 per annum for members with

an income up to the lower threshold of \$31,920pa. The matching contribution then reduces for incomes over the lower threshold and up to the upper threshold of \$61,920pa. The budget confirms these thresholds will be frozen at current levels until 30th June 2013.

Higher concessional contributions cap for over 50s

A higher concessional contributions cap of \$50,000 will be applied from 1 July 2012 for members who have attained age 50 and whose superannuation balance is less than \$500,000.

Contributions which exceed the contribution thresholds

A new measure of relief for members who breach the 2011/12 concessional contribution cap limit of \$25,000 has been introduced. Members will have an opportunity to withdraw excess contributions of up to \$10,000 but only

in the first year in which a breach occurs after the 1st of July 2011. These excess contributions can then be assessed as income at the member's (potentially lower) marginal rate of tax instead of incurring the excess contributions tax of 46.5%. There is still potential confusion over the calculation of concessional contributions for certain defined benefit members and it is hoped this will be addressed by the Government in the near future. This relief does not apply to excess contributions in earlier years.

Concessional contributions include compulsory superannuation guarantee payments, salary sacrifice contributions, and other deductible contributions.

Use of Tax File Numbers (TFN)


As previously announced, the Government will allow superannuation fund trustees to make greater use of tax file numbers to locate member accounts and to facilitate consolidation of multiple member accounts. This will help improve administration by removing the existing requirement for fund trustees and Retirement Savings Account (RSA) providers to use other methods of identification to locate accounts before TFNs can be used, with effect from 1 July 2011. It will also assist fund trustees and RSA providers to carry out more efficient consolidation of multiple member accounts, with effect from 1 January 2012, if not proclaimed earlier.

If you have any queries in regards to any of this information call us on 132 467.

* Source: Federal Budget Measures/Budget Paper No 2. Federal Budget 2011-12 (10 May 2011) www.treasury.gov.au



New financial year... clean slate!

A woman with dark hair, wearing a light blue short-sleeved shirt and black pants, is leaning forward and sweeping a blue carpet with a broom. The broom has a wooden handle and blue bristles. The carpet is covered with many pieces of crumpled white paper and some yellow paper. In the background, there is a desk with a stack of papers and a potted plant.

Want to get on the front foot this financial year? We can help you stay on top of your super obligations!

Here are a few quick facts:

What contributions can you make to Intrust Super?

Super Guarantee

Super Guarantee legislation requires employers to contribute a minimum level of super for employees who:

- Earn at least \$450 in a calendar month (or a lesser amount if specified in a relevant award, please check to see if any relevant award applies to your organisation);
- Are aged less than 70 years (unless contributions are mandated after age 70); and
- Are aged over 18 or, if under age 18 are working at least 30 hours per week.

Generally, employees are all individuals who receive payment in the form of salary or wages in return for their labour or services. Once an employee reaches age 65, you can only make contributions to their super if they are made as a result of an industrial award or superannuation guarantee obligation (a mandatory contribution). They will also have to complete a Work Test Questionnaire confirming they have worked at least 40 hours in a period of no more than 30 consecutive days during the same financial year. Once the employee reaches age 70, you can no longer contribute into their super unless the contributions relate to salary paid before they turned 70.

Calculating the Super Guarantee

The minimum Super Guarantee level is equal to 9% of the employee's notional earnings base (as defined by the Super Guarantee legislation) which is the same as their Ordinary Time Earnings. For an explanation of Ordinary Time Earnings or if you are unsure of your Super Guarantee obligations, please contact the Tax Office on 13 10 20 or visit www.ato.gov.au.

Member Voluntary Contributions

Your employees can make their own voluntary after-tax contributions into their Intrust Super account. The contributions can be made as a one-off or on an ongoing basis via:

- Payroll deduction (at your discretion);
- BPAY;
- Direct bank debit; or
- Direct payment from the member.

If you allow employees to use the payroll deduction method, deduct the contribution from their after-tax pay and send it to Intrust Super together with your employer contributions. Show the member contributions in the 'Member' column of your spreadsheet, payroll file or Contribution Return.

If your employees would like to contribute via Bpay, direct debit or the direct payment method, please ask them to contact Intrust Super on 132 467 and we will provide the necessary forms.

By law you must send member voluntary contributions to Intrust Super within 28 days of the end of the month in which the contributions are made. Failure to do this can result in significant Government penalties, and it can also affect your employees' entitlements to the Government Co-contribution (if eligible).

Please be aware that member voluntary contributions paid in the month of June, must be received by Intrust Super before 30 June to be eligible for the Government Co-contribution Scheme (which is an exception to the rules outlined above) in that year.

Additional Employer Contributions and Salary Sacrifice

Intrust Super can accept salary sacrifice contributions, or any other additional employer contributions you make. Our contribution format includes an extra column specifically for these types of contributions.

Making contributions

Contribution limits

For the 2011/12 financial year, concessional contribution caps for salary sacrificing are set at \$25,000 per annum for those aged under 50, while those aged 50 and over are able to contribute \$50,000 per annum before being subject to an excess contribution tax of 31.5% on top of the 15% already applied. After-tax voluntary contributions (or non-concessional contributions) are capped at \$150,000 per annum. For members aged over 65 the opportunity exists for larger one-off payments as this threshold can

be increased to \$450,000 if averaged over three years. Employees, not employers, are responsible for monitoring how their contributions compare to the thresholds each year.

NB. This legislation is subject to change please refer to the ATO website for more information.

When are your contributions due?

Intrust Super lets you choose how you submit and pay your contributions. You can also choose whether to make monthly or quarterly payments.

Monthly payments are due by the 14th of each month for the preceding month.

If you would prefer to make quarterly payments, you will have to submit a written request to do so.

Quarterly payment due dates are outlined below:

SG Quarter	Due date for payment of SG
1 July to 30 September	28 October
1 October to 31 December	28 January
1 January to 31 March	28 April
1 April to 30 June	28 July

Contribution returns and account summaries are prepared at the end of the third week of the month. Generally, these will reflect your last payment provided it is received and can be processed prior to them being prepared. For quarterly approved payers your contribution return and account summaries will be prepared at the end of the third week in the third month of each quarterly period.

What if you don't pay on time?

Employers who fail to make their required Superannuation Guarantee contributions to a complying super fund by the quarterly deadlines, will be liable to pay the Super Guarantee Charge. This is payable to the Tax Office and includes the amount that would otherwise have been payable, plus a penalty amount in respect of interest and administration fees and will not be tax deductible. Please note that failure to pay member voluntary (after-tax) contributions within the 28-day requirement, may result in penalties and could affect your employees' eligibility for the Government Co-contribution Scheme.

Our Client Service Managers are available to help you with any super related questions so feel free to contact us on 132 467 should you have any queries.



Impact of exchange rates

Our Aussie dollar moves up and down against the US\$, Euro, Pound and Yen daily – but what does it all mean and how does it affect everyday Australians?

Imagine you wanted to buy a computer game online from America. You have Australian dollars, so you have to make two purchases – firstly, you buy US\$ and then you buy the computer game. Let's say the game costs US\$100 and the exchange rate is 98 cents. Ignoring transaction costs, you would have to spend approximately \$102 (US\$100/\$0.98) to buy the US dollars before buying the game.

If the exchange rate of the Australian dollar passed the US dollar, say \$1.02, you would need to spend less Aussie dollars to buy the US dollars so the game would cost only \$98 (US\$100/\$1.02). So a higher exchange rate means goods bought overseas cost less.

But what about where we are investing overseas, in company shares for example, to make a profit? Even if you don't actively invest in shares overseas outside of superannuation, super funds invest your super balance for you; for example the Intrust Super default Balanced Investment Option invests in overseas shares. So when an Australian superannuation fund invests overseas, the investment returns to that fund can be influenced, both positively and negatively by the change in exchange rates between the two currencies. Some Funds attempt to remove or mitigate these currency effects on returns by what is known as Currency Hedging. That simply means that they move the effects associated with the change in the relative value of the currencies off to another party; one that is willing to take on the risk. Many funds adopt a Hedging Strategy based around where the

Australian dollar sits against the overseas country's currency at any point in time – taking into account historical highs and lows in their valuations.

There's always another side

As the value of the Australian dollar fluctuates against other foreign currencies our export goods become either cheaper or more expensive to the international buyer. The purchaser first has to buy the local currency before they buy the product so if our Australian dollar appreciates greatly against the home currency of the purchaser they will have to use more of their local currency to buy our Australian dollars. The product they are purchasing becomes more expensive and they will be inclined to buy less of that product. That means less income to the domestic Australian producer. As the Australian dollar falls against the foreign currency our products become more attractive to the foreign buyer and they are likely to buy more of those products.

This is why exporters, and our Tourism operators who sell a substantial amount of their product to overseas customers, are generally not happy to see exchange rates rising – their incomes will fall as exchange rates rise.

Nothing is this simple in practice, though in general terms there are always winners and losers from an appreciating Aussie dollar.



Member
REWARD\$



100%
INDUSTRY
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An initiative to help our members get great benefits now - not just in retirement!

We have recently upgraded our Member Rewards program with more unique and tangible benefits for our members. With the member in mind we've built specific programs that ensure value for money. These unique offerings are an extension of our ongoing commitment to providing exceptional services and benefits.

We take retirement very seriously, but we also want our members to enjoy the benefits of being with Intrust Super right now, it's our way of thanking them for choosing us.

We are talking about everyday things like discounted accommodation, home loans and travel, health and home and contents insurances to name a few.

Visit our website for a full list of rewards on offer www.intrust.com.au - to see what you could take advantage of immediately!



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At your service on

132 467

www.intrust.com.au

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