



ASIC

Australian Securities &
Investments Commission



Super Decisions

Key tips about super

1. Get interested in your super. It's your investment for your retirement.
2. Look before you leap when choosing a fund. Compare retirement and insurance benefits and other features. Keep fees and charges down.
3. Super's a long term investment, so take investment ups and downs in your stride.
4. Keep as few super accounts as possible, and keep them up to date with your address and how you'd like your death benefits paid.
5. Steer clear of super scams. If it sounds too good to be true, it's probably a lie.
6. Make sure your fund knows your Tax File Number. It helps you keep track of your super, makes sure your super is taxed at the special low rate and ensures you are not subject to extra restrictions on making contributions.

Contents

- 5 Essential facts
- 10 Choosing a fund
- 12 Finding out about each fund
- 24 Choosing your investment strategy
- 28 Building your super
- 33 Changing funds
- 36 Changing jobs
- 38 Keeping track of your super
- 43 Complaints about your fund
- 44 Getting super before your 'preservation age'
- 47 Moving towards retirement
- 50 To find out more



About this guide

If you're saving for your retirement, it's essential to know how to get the most out of superannuation ('super'). This guide will help you make the right decisions.

The Australian Government established the Australian Securities and Investments Commission (ASIC) to regulate financial services and company laws to protect you.

This booklet has been prepared by ASIC to help you:

- understand more about super
- make better super decisions
- find extra help and information.

The information presented here can start you off on the right foot with general tips and explanations. However, not all these ideas may apply to every fund or to your own circumstances. If you want personal advice about super, see a licensed financial adviser.

Keep this booklet with your super paperwork so you can refer to it in future.



Essential facts

What do you get from super?

Super is an excellent way to invest money for your retirement. As you contribute to super, your retirement savings can grow because your fund can invest your money at low rates of tax. Tax concessions and other government benefits currently make super one of the best ways to invest for the long term.

Since 1 July 2007, under new laws, benefits paid from taxed super funds to most people aged 60 or more are completely free of tax, whether you choose to draw a regular income or a lump sum.



Changes to age pension ‘assets test’ rules mean that many more people may be eligible for a part age pension and the valuable concessions that go with them.

You also have greater choice over how and when you draw down your super in retirement. If you’re over 65 and don’t yet want to take your super benefits, your fund is no longer forced to pay them to you.

Super funds may also offer additional benefits, such as life insurance cover, and total and permanent disability insurance (insurance if you become disabled or sick for an extended period of time).

Joining a fund

In most cases, you join a fund as soon as you’re employed, because by law your employer must pay contributions into a fund on your behalf.

If you’re self-employed, you can decide if you want to join and contribute to a fund. If you are not currently employed, or never have been employed, you can still join and contribute to a fund up to age 65.

Immediately when you join a fund, give them your Tax File Number so you don’t pay unnecessary tax or miss out on other benefits.

How much gets paid into your super?

Generally, under the ‘super guarantee’, your employer must pay in 9% of your earnings, for example an extra \$4,500 if you earn \$50,000 each year.

Most people’s 9% is based on ‘ordinary time earnings’, which under the law means earnings for **your** ordinary hours of work. ‘Earnings’ is defined in more detail by law, by your terms of employment or by your super fund trust deed. Visit the Australian Taxation Office’s (ATO’s) website, see page 51.

Your employer or you may pay extra money into super at any time. If you’re self-employed or not employed, you decide how much to pay in. Once you reach age 65 you need to meet a work test to contribute, and contributions are generally not allowed after you reach age 75.



What type of fund can you join?

Fund rules control who may join. The four basic types of funds are:

1. **Corporate funds** are open to people working for a particular employer or corporation. (Employers may run their own plan or run it through an investment manager or a master trust.)
2. **Industry funds** are open to people in a particular industry or under a particular industrial award. Some industry funds are open to anyone.
3. **Retail funds** are open to the public. They are run by financial institutions.
4. **Self-managed funds** are open only to you and up to three other people.

In order to obtain special super concessions you must join a 'complying' super fund that meets legal standards. The ATO's website has a free register of complying funds.

Otherwise, super can be paid into a 'retirement savings account', a special deposit account with banks or other deposit-taking institutions. (For amounts of \$10,000 or more, you may wish to consider other super arrangements that may give a greater return over the long term.)

Who controls your super?

Trustees run your fund. By law, they must act honestly and prudently, and make decisions in the best interests of all members.

Trustees hold office under the fund's rules. Often, trustees hire professionals to invest the fund's money and to look after fund assets, membership records and other tasks. Trustees still remain responsible, and if they fail in their duties, courts or government agencies can remove them.

Who regulates the funds?

Three government agencies regulate and enforce legal standards to protect you and your benefits:

1. ASIC regulates what funds tell you and how they abide by company law.
2. The Australian Prudential Regulation Authority (APRA) regulates how funds operate (except self-managed ones) so that they can meet their obligations to you.
3. The ATO regulates self-managed funds, employer contributions (the super guarantee), co-contributions and super tax rules.

Government agencies don't guarantee your fund's capital or investment earnings.



Choosing a fund

Are you eligible to choose a fund?

Millions of employees are able to choose which fund will receive their employer's super guarantee contributions.

If you're eligible to choose, your employer will give you a 'standard choice form'.

To find out if you're eligible to choose a fund, check with your employer or visit www.ato.gov.au.

Your right to choose a fund

You don't have to choose if you don't want to. If you don't, you can do nothing and your employer will pay their contributions into a fund they choose. Make sure you really understand the fund your employer has chosen. Your current fund may be different from the fund chosen by your employer. Compare the benefits and costs with at least two other funds, for example an industry fund and a retail fund.

You can choose a fund at any time, but you cannot make your employer change your fund more than once a year. You must also give your employer written confirmation from your chosen fund that it will accept your employer's contributions.

Choosing or changing funds for your **existing** accounts, including previous employer contributions, must be done separately. Generally, it saves time and money in the long run to keep your super in as few accounts as possible, see Changing funds, page 33.



Finding out about each fund

The fund's '**product disclosure statement**' tells you what you need to know, including:

1. fees and costs you'll pay
2. death and disability benefits and insurance premiums
3. investment strategies you may be able to choose
4. objectives of each investment strategy, its risks and likely returns
5. fund features and services, including complaint handling procedures.

To help you compare funds, read the important facts on the following pages and then use the worksheet on pages 20–21 to collect your information.

Check your fund type and employer contributions

Most funds are **accumulation** funds. The value of your retirement benefit depends on:

1. how much money your employer and you contribute
2. how much your fund earns from investing the money, after deducting costs and taxes. Investment earnings are added to your account, and investment losses are deducted.

In these funds, you take the risks and get the rewards from your fund's investment performance. When you retire, you can receive your account balance.

Less common are **defined benefit** funds. The value of your retirement benefit is defined by the fund rules and usually depends on:

1. how much money gets paid in
2. how long you have worked for your employer
3. how much money you are earning when you retire.

For example, your benefit might be worth five times your final salary after 25 years' membership.



Defined benefit funds are often generous and low-risk.

If your fund's investment performance is poor, your employer must still ensure the fund can deliver the benefits due when you retire. So long as your employer can afford that, your investment risk may be limited to what's earned on any personal contributions.

If you can choose between these two sorts of funds, check the benefits and rules carefully. If you're a long-term, full-time employee, a defined benefit may suit you very well. For short-term or part-time employees, some defined benefit funds might be restrictive. For example, when you leave the employer, you may be forced to keep your money in that fund, possibly at low rates of return, until you retire.

(Note: If you're in a defined benefit fund, but receive only 'accumulation' benefits, our comments about accumulation funds apply to you.)

Some employers may pay in extra money if you:

- join the employer's fund instead of a fund operating independently
- stay with your employer for a certain length of time
- contribute extra from your own pay.

Some employer funds may pay extra benefits if you are made redundant.

Compare fees and costs

All funds charge fees. The **product disclosure statement** shows all significant fees in a special table and gives a worked example of the fees in dollars.

You can also compare the effect of fees with ASIC's super calculator, on our consumer website **FIDO**. Visit www.fido.gov.au/supercalc.

More services can mean higher fees. Consider how much you need these services, because every dollar you pay in fees reduces your final benefit. If you pay an extra 1% each year in fees, you could lose up to 20% from your retirement benefit over 30 years.¹

Look first at 'management costs', generally charged each year as a percentage of your account balance. For example, 1% in management costs will amount to \$100 if you've got \$10,000, and \$500 for \$50,000.

When you compare management costs, make sure you're comparing funds with similar investment strategies. Low-growth investment strategies usually cost less than high-growth, but may give you less when you retire. (See also What investment strategies mean, page 25.)

¹ With an opening balance of \$50,000, a salary of \$55,575 and fees of 1% each year, your super accumulation is \$359,000 in 30 years, compared with \$298,000 if fees are 2% each year. (Using the FIDO super calculator.)



Management costs typically range from 0.6% to 3% each year. Corporate and industry funds often charge less than retail funds. Retail funds often pay commission to financial advisers who sell their funds. You may value the financial advice, especially in considering extra investment options or other services from retail funds.

Next, compare other fees, for example contribution, withdrawal and termination fees. You may be able to negotiate some fees for retail funds by going to a financial adviser who rebates or discounts them. If you defer contribution fees, you may end up paying more in total fees.

Other costs, like insurance, are set out elsewhere in the product disclosure statement, so check the whole document.

A few employers pay part or all of the costs of their own funds to encourage you to join.

Death and disability benefits and insurance

Funds may pay insurance benefits if you die or you are unable to work because of an illness or accident.

Your fund will usually charge a fee to your account for the insurance unless your employer pays for it. Some funds may give you immediate cover **without** any medical examination or questions.

Decide how much cover you need, and compare costs. Without enough insurance cover, you and anyone who depends on you could be at risk. Always check how you'll be covered before changing funds.

Check any restrictions for age, dangerous jobs, part-time or casual work, and maternity leave. Some funds make some insurance cover compulsory, some allow you to opt out of it and not be charged, while others allow you to opt into it.

Compare investment options

Many funds let you select an investment strategy, and some offer many investment options. You don't have to choose – many people are happy for the trustees to choose the strategy.

In choosing your fund, decide how much investment choice you're really likely to use. Four or so broad investment options are commonly offered, see What investment strategies mean, page 25. It's probably useful to have at least a choice between:

- high growth with higher risk
- low growth with lower risk.

This gives you some control over how your super is invested, see Choosing your investment strategy, page 24.



Judge investment performance

Your fund's investment performance usually makes a big difference to how much you will have to retire on.

No-one can reliably pick which fund will perform best. It's far more reliable to pick the right investment strategy and fund features with low fees, and take the ups and downs of investment performance in your stride.

Here are some tips for judging performance:

1. Look for a reasonable performance. It's a waste of time trying to pick next year's top performer.
2. Judge performance over at least 5 years. Super is a long-term investment, and short-term figures, such as the last 12 months or less, are all but useless.
3. Compare like with like. If a fund has 70–80% of its money in shares and property, compare it only with other similar funds, not funds with 60–70% of their money in cash and fixed interest. Higher fees do not guarantee you higher returns.
4. Try to use the same start and finish dates for each fund. Five-year performance from June to June will differ from January to January.

ASIC publishes 5 and 10 year average performance figures for different investment strategies on our FIDO website. Few funds beat the long-term averages, and it's really guesswork trying to pick the few that will.

If your fund performed worse than average over a 5-year period, then you may want to consider changing. See [Changing funds](#), page 33.

Past performance is no guarantee of future returns. Today's top-performing funds tend to fall back to the average over time. However, consistently poor performance can prove hard to turn around.

Research companies rate super funds and often publish their ratings in newspapers and websites, see [page 52](#).

A consumer-friendly fund?

Look at a fund's annual report and website and get in touch with them if you have questions, to see if you'd feel comfortable joining. Look out for:

1. Clear, meaningful information about investment strategy, long-term performance, investments and managing investment risk.
2. Efficient, low-cost administration.
3. A clear explanation of the relationship between the trustee and fund managers.
4. A good record in dealing with members and with regulators. For example, check the auditor's report and regulators' websites (ASIC, APRA, ATO).
5. On-time annual reports, performance updates and newsletters.
6. A useful helpline or website.

Your super fund comparison worksheet

Use this worksheet to help you compare accumulation funds.

	Your employer's chosen fund	Industry fund	Retail fund
Fund name			
Any extra super benefits			
Extra employer contributions?			
Redundancy benefits?			
Fees and costs			
Management costs for your investment option as % of your total account			
Amount of any additional dollar-based management costs			
Contribution fee, as % of each contribution*			
Withdrawal fee, as % of each amount withdrawn*			
Termination fee, as % of your total account on closing it*			
Service fees, e.g. switching fee, adviser service fee			
Insurance			
Automatic cover or subject to medical questionnaire or exam?			
Life insurance: \$ cost per year for the amount of cover you want or cost of compulsory cover			
Total and permanent disability: \$ cost per year for the amount of cover you want or cost of compulsory cover			
Salary continuance or temporary disability cover for up to 2 years: \$ cost per year for the amount of cover you want			
Any relevant restrictions, e.g. age limits, dangerous jobs, maternity leave			
Investment options			
At least one growth and one conservative option? Y/N			
Enough options for you? Y/N			
Investment performance			
% each year, based on average 5-year performance of your investment option			
Other services and features you need			
Insert relevant details			

* You may be able to negotiate lower fees.

The fund's website or helpline may offer more information.
Your employer or trade union may also be able to answer

factual questions, but do not ask them for advice unless they hold a licence to give it.



A self-managed super fund?

You're allowed to set up your own private super fund and manage it yourself, but under strict rules regulated by the ATO. Running your own fund is complex so think carefully before setting one up. Briefly, you must:

- become a trustee of the fund, a role that imposes important legal duties on you
- use the money only to provide retirement benefits, not to run a business or to benefit you or anyone else outside the fund
- set and follow an investment policy that ensures the fund is likely to meet the members' retirement needs
- keep meticulous records so your fund can be audited.

You will need:

- around \$200,000 in the fund (but estimates vary) to make set-up and yearly running costs worthwhile
- professional accounting, tax, audit and legal advice to run things properly – these services all cost money
- the time, skill and interest to manage the fund well and to arrange suitable life insurance.

For some detailed information on what you need to do as a trustee of a self-managed super fund, you can order the publication *Self managed superannuation funds – Role and responsibilities of trustees* (NAT 11032) from the ATO.

Need more help?

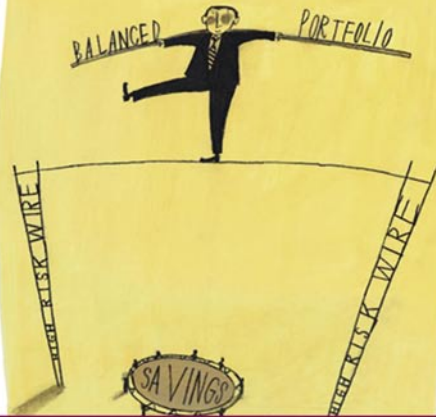
If you give yourself time to learn about super and digest fund information, you may find this sufficient.

If you're facing redundancy or planning for retirement, Centrelink's Financial Information Service offers free, unbiased information, even if you don't expect to claim a pension or benefit, see page 50.

You may also need personal advice from a professional adviser in these situations, or for example, if you run your own fund, have large amounts in super or other assets, or invest in unusual or more complex financial products.

For personal advice, choose a licensed financial advisory business that's expert in super. ASIC's booklet *Getting advice* helps you choose an adviser. See our publications order form on the back of this booklet to order copies.

Advisers may charge fees directly, or you may pay indirectly through higher fund fees. Many don't advise about industry or corporate funds, so compare any fund your adviser recommends with your employer's fund and an industry fund. If your adviser recommends changing funds, **always** ask if you'll lose any benefits, how the 5-year performance of the fund compares with your current fund, what charges will apply and what other significant changes will occur. Ask your adviser to set this out clearly in your **statement of advice**.



Choosing your investment strategy

Most super funds let you choose between different investment options. Your fund's **product disclosure statement** explains the strategy behind each option, the return it aims for and the risks involved.

Your fund will also have a ready-made option for anyone who doesn't want to choose, sometimes called the 'default option'. The product disclosure statement will explain it. Make certain it really suits you, see What's the right investment strategy, page 26.

What investment strategies mean

Investment options are commonly grouped under four broad headings: 'growth', 'balanced', 'capital stable' or 'capital guaranteed'. Here's a rough guide to these rather loose labels. Look out for how much is invested in shares and property compared with cash and fixed interest.

Label	What it roughly means
Growth	<p>Invests 70–80% in shares or property. Aims for higher returns over the long term and so risks higher losses in bad years.</p> <p>Historically, these higher-risk investments have earned the highest returns over the long term.</p>
Balanced	<p>Invests 60–70% in shares or property, the rest in fixed interest and cash. Aims for reasonable returns, but less than growth funds to reduce risk of losses in bad years.</p>
Capital stable	<p>Invests 60–70% in fixed interest and cash, although some invested in shares or property. Aims to reduce risk of loss and therefore accepts a lower return over the long term.</p> <p>Your capital and earnings can still be reduced by losses on investments.</p> <p>Historically, the more the fund invests in fixed interest and cash, the lower the returns.</p>



Label	What it roughly means
Capital guaranteed	<p>By law, invests 100% in deposits with Australian deposit-taking institutions or in a 'capital guaranteed' life insurance policy. Guarantees your capital and accumulated earnings cannot be reduced by losses on investments.</p> <p>Historically, this strategy has earned the lowest returns, only slightly better than inflation.</p>

What's the right investment strategy?

Choosing a strategy lets you adapt your super to your personal situation. From your first job until you retire could easily be 30–40 years, with perhaps another 20–30 years after you retire. Over that time your living standards are likely to rise. Your investment strategy will influence how much income you'll have to retire on.

For this reason, super's a long-term investment that usually suits a 'growth' or 'balanced' strategy, investing in shares and property.

The trade-off for growth is losses in bad years. Over 30–40 years, it's likely that any growth strategy will lose money in at least 4–6 years. That will hurt, and when you get more than one bad year in a row you may think you chose the wrong strategy. Historically, over any 20-year period, a 'growth' or 'balanced' strategy has been the only way to keep up with rising living standards. You must decide if the likely rewards are worth the risk.

A lower-risk, lower-return strategy ('capital guaranteed' or 'capital stable') could suit people who need greater security and less risk, for example if you're withdrawing all your super in less than 5 years time and you want to be sure about how much money you'll have.

Here's an example to show how the risk-reward trade-off works, when even small differences in returns over a long time really add up.

Rate of return for 20 years, reinvesting all returns	Start with	Finish with
4% per year	\$10,000	\$22,000
6% per year	\$10,000	\$32,000

An extra 2% over 20 years earned another \$10,000.



Building your super

Building up super from your own money is generally an excellent investment, thanks to tax concessions and other government benefits. Getting started well before you retire is likely to be far better than a last minute rush a few years before retirement.

Check you can spare the money. After you put it into super it must stay there until you retire. Weigh up the benefits of extra super against your other priorities, for example:

- paying off your credit cards or other high-interest debt
- saving up for a home, starting a family or education
- building up other investments to draw on whenever it suits you.

Your own after-tax contributions

If you can spare the money, contributing from your after-tax income can really boost your savings.

Your super fund gets tax concessions, so you will usually save more by investing through super than by investing in the same assets outside super. Contributions from your after-tax income don't get taxed when your fund receives them.

Some employers encourage extra contributions by putting in extra money if you do.

The maximum amount you can contribute after-tax is \$150,000 each year or if you are under age 65 you can contribute up to \$450,000 over three years. (Some exemptions apply for the proceeds from selling small business assets and from a settlement for an injury resulting in permanent disablement.) You will have to pay tax at the highest marginal tax rate plus Medicare levy on excessive contributions.

Between ages 65 and 74 you can generally contribute to super whenever you like, so long as you work 40 hours in a 30-day period. If your current fund doesn't allow you to contribute your own money, you can simply join another fund for that purpose.



Co-contributions

If you make after-tax contributions and earn an income as an employee, you may also receive a government co-contribution based on your income and how much you contribute. Self-employed people are also eligible, subject to certain conditions.

If your total income is \$28,980 or less, the maximum co-contribution is \$1,500, based on \$1.50 from the government for every \$1 you contribute. Co-contributions reduce as your income increases, phasing out completely for total incomes of \$58,980 or more. These income levels are for the 2007–08 tax year.

If you're eligible, the ATO pays the co-contribution automatically into your fund, based on your tax return and information received from your fund.

You can check how much co-contribution you could receive by using the ATO's co-contribution calculators at www.ato.gov.au.

Concessional contributions and 'salary sacrificing'

Higher income earners can benefit if your employer allows extra contributions from your pre-tax income, or 'salary sacrifice'. (If you're eligible to receive a government co-contribution, you may be better off making after-tax contributions.)

Suppose you earn \$70,000 before tax and want to top up super. You 'sacrifice' \$10,000 in salary, getting a 'new' salary of \$60,000 on which there's less tax because there's less income. Your sacrificed \$10,000 goes into your super with only 15% in contributions tax taken out. As a result, you've invested more money than by taking the same \$10,000 in normal pay, paying normal tax and then investing what was left.

Negotiate these arrangements carefully with your employer. Make sure salary sacrificing won't reduce what your employer would otherwise contribute. Legally, salary-sacrifice contributions are 'employer contributions' which your employer may be entitled to count as part of the 'super guarantee'. Unless you agree otherwise, your employer may be entitled to:

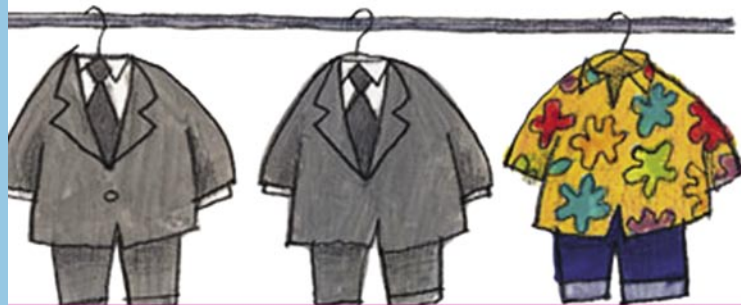
- reduce their usual contribution by the total amount you salary sacrifice or
- pay a lower contribution based on your new 'reduced' salary.

There is a cap of \$50,000 each year on the amount of pre-tax contributions that can be made by you and your employer at the concessional tax rate. This limit will be indexed to average weekly ordinary time earnings. You will have to pay tax at the highest marginal tax rate plus Medicare levy on excessive contributions.

If you're over 50 years of age or turning 50 before 30 June 2012, a transitional period, ending in 2011–12, allows you to contribute up to \$100,000 each year. For example, if you turn 50 on 1 January 2010, you will be able to make \$100,000 of contributions in the 2010–2011 and 2011–12 financial years. This \$100,000 limit will not be indexed.

Contributing for your spouse

You can claim a tax offset, up to a set amount, on super you pay on behalf of your spouse if they have a low or nil income. A 'spouse' includes another person who, although not legally married to you, lives with you on a bona fide domestic basis as your husband or wife, but does not include a person who lives separately and apart from you on a permanent basis. The ATO can tell you more.



Changing funds

Changing funds is an important step. Make sure you don't lose important benefits or suffer extra costs. (And don't forget to tell your new fund your Tax File Number.)

To change fund for an **existing** balance (including previous employer or personal contributions) ask your old or new fund for a transfer form. You can transfer or roll over your super, with some limited exceptions. Your old fund has 1 month to make the transfer.

To change funds for **future** employer contributions, follow the steps set out in Choosing a fund, page 10.



Good reasons to change funds include:

- changing jobs where your current fund is not available with your new employer
- consolidating super accounts to cut costs and paperwork
- lower-cost or better services that would suit you more
- poor investment performance over a 5-year period compared with similar funds.

Bad reasons to change funds include:

- fear, just because your fund declared a negative return. Stick to judging performance over 5 years or more
- jumping on the bandwagon of a top-performing fund. This can rebound on you if, as quite often happens, that fund performs poorly next year.

Employer contributions affected?

Check if changing funds will change what your employer contributes. If your employer pays in more than the compulsory 9% to your current fund, changing could reduce your benefits. Sometimes this can happen in less obvious ways, especially with defined benefit funds. For example your employer may favour your current fund by paying in more or offering higher benefits:

- as your length of service increases
- if you make or increase your own contributions
- if your money becomes fully yours (called ‘fully vested’) only after you stay with the employer for a certain time.

Check the impact on benefits and costs

- **Retirement benefits.** Some funds, especially defined benefit funds, may limit or reduce what you can transfer, making it better to stay in the fund until you retire.
- **Insurance benefits.** Make sure you stay covered. Will cover be automatic? How long does your old fund cover you, and when does cover start in your new fund?
- **Costs.** Check termination fees from the old fund and contribution fees into the new one. These come out of your account and reduce your benefits.



Changing jobs

Leaving your current employer to change jobs is a good time to review and possibly combine your super accounts.

You'll need to decide what to do with your existing super, and also consider the fresh choice of fund for future contributions you'll be offered with your new employer.

It generally saves time and money to keep your super in a few accounts as possible. Otherwise, as you change jobs, you could build up a string of super accounts charging you fees (also for insurance you may not need) and wanting your contact details, see Changing funds, page 33.

If you have to leave your current fund altogether, you might roll your existing super over into the fund you choose when you join your new employer. If you can leave your money in the old fund, review what your new employer's fund or other funds can offer. You may want your new employer to pay into your existing fund if this is possible.

Changing jobs can sometimes increase the fees you'll pay in your old fund, especially if your new employer does not sponsor your old fund.

If you get retrenched, check if your fund offers any benefit entitlements. **Before** you make any decisions, take any money or sign any documents, find out the best way for you to deal with any money. You may not be able to undo a decision you're unhappy about.

Preserved and unpreserved benefits

When you leave a job, you'll probably have to keep most of your accumulated benefits in a fund. Any money contributed after 1 July 1999, including investment earnings, must be kept or 'preserved' within super. (Employer-financed benefits before that date may also have to be preserved.)

Your latest annual statement or your fund can tell you if you have any 'unpreserved' amounts. You can still roll these over into your new super fund which can really boost your retirement savings. If you withdraw them to spend or invest outside super, you may have to pay extra tax.



Keeping track of your super

Check your annual statements

To make sure you get a statement, keep your super fund up to date with your contact details. If you have more than one account, keep all funds up to date.

When you get your statement, check that each item makes sense:

1. what you had at the start of the year
2. your employer's payments during the year
3. any amounts you paid in
4. fees deducted
5. cost of insurance cover

6. how much was taken out for government taxes
7. how much the fund credited to your account from its investments
8. what you now have at the end of the year
9. your fund has your Tax File Number

If you don't understand the statement, contact the fund. You have the right to a clear explanation. If you don't receive it, see Complaints about your fund, page 43.

Keep all your statements in a safe place so you can keep track of your accounts and contact your fund if necessary. Keep a copy of this booklet with your statements.

Read your fund's annual report

How well did your fund invest your money? The fund's annual report tells you about the investments it made and how they performed during the year.

Does the return broadly match the target set out in your fund's **product disclosure statement**? If not, look for an explanation, and ask yourself if it makes sense.

Judge your fund's performance over at least 5 years. Compare returns for that time with the market. Many funds show these comparisons. See Judge investment performance, page 18.



Small amounts in lots of accounts?

To manage your super more easily and save costs, consider combining small accounts into a single account in a single fund. (Check the impact of termination fees first.)

If an account has less than \$1,000, special rules apply to administration fees. Contact your fund for details.

If an account has less than \$200, the fund may allow you to withdraw the money when you finish your employment. Unless you really need the money, it's generally better to roll it over into your next fund, and you won't have to pay tax.

You can transfer funds by using the *Request to transfer whole balance of super benefits between funds* form (NAT 71223). Download the form from the ATO's website at www.ato.gov.au.

Recover your lost super

Unless you keep your funds up to date with your address, they might consider you a 'lost member', and transfer your benefits to an 'eligible rollover fund' where your investment earnings may be less.

The sooner you recover any 'lost' super, the less hassles and paperwork. To check if you have any lost super, use the free ATO 'SuperSeeker' at www.ato.gov.au/super. You'll need to supply your name, date of birth and Tax File Number.

Check employer contributions

Employers must pay contributions quarterly, and may pay more often. Your payslip may show how much of your pay has been paid into your fund.

Occasionally, employers pay in too little. Check with the fund that you're registered as a member and that the right contributions are getting through. If you are casual or part-time, this is especially important. Talk to your employer at once if payments seem too small or are not getting through.

If you are concerned about unpaid super contributions, or if you would like to know more about the process the ATO follows to investigate unpaid super complaints, you can visit www.ato.gov.au/unpaidsuper or call **13 10 20**.

Who gets your death benefits?

If you die while a fund member, the trustee must normally pay your death benefit to one or more of your dependants or your estate.

'Dependants' means your spouse, children, people with whom you had an 'interdependent' relationship or those who depend on you financially. Ask your fund for details. If it's paid to people who are not your dependants (for tax purposes this includes children over 18) it may be taxed.

Most funds let you nominate who you want your death benefit paid to, either as a '**non-binding**' or '**binding**' nomination.

A **'non-binding nomination'** just guides the trustee, who still has the final say, especially if you have dependants but you nominate someone who doesn't depend on you. The trustee is not required to follow the instructions in your will.

A **'binding nomination'** will bind the trustee, and lets you name:

- a dependant, or
- your 'legal personal representative', who must distribute your benefit according to your will or according to law if you have no will.

Keep these nominations up to date, especially if you marry, re-marry or have children. You will be asked to update or confirm these nominations every 3 years.

Super and divorce

If your marriage breaks down, your super's treated the same way as your other assets. Briefly, your super can be divided by agreement or court order. Your divorcing spouse is entitled to information from your fund about your super. If the super's split up, a new super account can generally be started for the ex-spouse receiving the super.

De facto relationships are not covered by these splitting arrangements but are covered under State laws. You may need legal advice.



Complaints about your fund

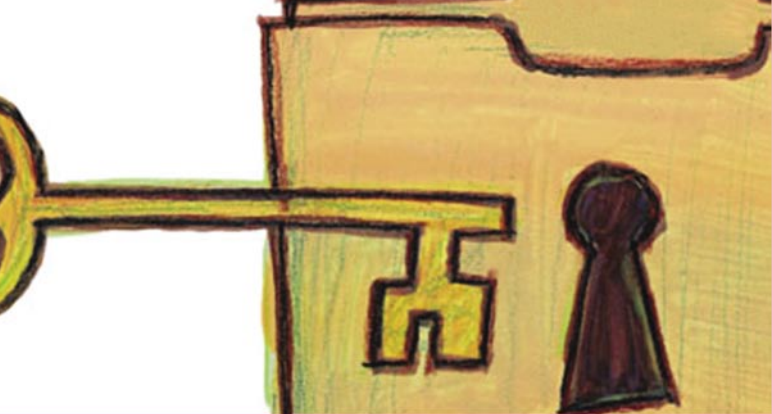
Complain promptly if you're not satisfied.

First, talk to your fund. If you're not happy with the person you're dealing with, ask to have the matter handled through their formal complaints system.

If the internal complaints system does not satisfactorily resolve your complaint, contact the **Superannuation Complaints Tribunal**, see page 51.

If your complaint is about advice on super from a licensed financial advisory business, contact the **Financial Industry Complaints Service** on **1300 780 808**, see page 51.

ASIC's *You can complain* brochure has more help and sample letters, see our publications order form on the back of this booklet to order copies.



Getting super before your ‘preservation age’

By law, you generally get your super only when you:

1. permanently retire from the workforce, and also
2. reach the minimum age set by law, called your ‘preservation age’, see the table below.

Your date of birth	Minimum age for getting your super benefits
After June 1964	60
July 1963–June 1964	59
July 1962–June 1963	58
July 1961–June 1962	57
July 1960–June 1961	56
Before July 1960	55

You can get your super earlier only in limited circumstances.

Incapacity

Contact your fund if you suffer permanent incapacity. You may also be paid a non-commutable income stream during a period of temporary incapacity.

Severe financial hardship

Contact your fund. If the rules allow early release of benefits, you must satisfy the trustee that you have been receiving a Commonwealth income support payment for a continuous period of 26 weeks and you cannot meet your reasonable and immediate family living expenses.

Compassionate grounds

Contact your fund. If the rules allow early release of benefits, the ‘compassionate grounds’ are set out in the law. APRA must consider your application first, before your fund trustee can make a final decision.

Compassionate grounds involve medical treatment for serious conditions that is not readily available through the public health system, transport for medical treatment, changes to a home or vehicle because of a severe disability, palliative care, funeral and burial expenses, or to prevent the forced sale of your home by your mortgagee. APRA has more information about specified compassionate grounds.

Leaving Australia permanently

Contact the ATO. If you work in Australia as a temporary resident you may be eligible to claim your super. This payment is not available for permanent Australian or New Zealand citizens because they have the option of retiring in Australia.

Small balance

Contact your fund. If the fund rules allow it and your account has less than \$200 (preserved benefit) you may be allowed to withdraw the money when you finish your employment. A fund may also be able to pay you if you were previously classified as a lost member and the preserved benefit, at the time it is paid to you, is less than \$200.

Unless you really need the money, it's generally better to roll it over into your next fund, and you won't have to pay tax.

Illegal early access

Avoid illegal schemes that try to get your super money out early, and save yourself from getting cheated and from heavy tax and legal penalties. These schemes are sometimes promoted by word of mouth or shady advertising.

Report to ASIC or the ATO anyone who tries to talk you into getting your preserved benefits early through a self-managed super fund or for a fee.



Moving towards retirement

Your retirement benefits

If you retire and have reached your preservation age (see our table on page 44), you can draw on your super.

After you reach age 60, benefits paid from a taxed super fund are completely free of tax, whether you choose to draw a regular income or a lump sum. (Benefits from untaxed funds, such as various public service funds, are still taxed.)

Transition to retirement

If you have reached your preservation age, you can draw on your super without having to retire permanently from the workforce.



For example, you could continue working part-time and use part of your super to supplement your income, instead of leaving the workforce altogether.

Under these rules, if you're still working, you will have to receive your super as a particular type of pension. These pensions, known as account-based pensions and allocated pensions, will generally not be 'commutable'. Broadly speaking, this means you won't be able to stop the pension and cash it out as a lump sum.

If you select a 'non-commutable' allocated pension, you will be allowed to take a lump sum after you retire or reach age 65. Or you can stop the pension and put your benefits back into your super fund, for example if you decide to go back to full-time work.

Plan ahead

Retirement often sneaks up unexpectedly, so plan ahead.

Some retirement decisions can prove impossible or expensive to change. Leave your super inside your fund, or inside the super system (for example a rollover fund or approved deposit fund) until you know exactly what to do. Taking your money out of super may force you to pay unnecessary tax.

Find out how tax and government welfare benefits may affect you.

Centrelink's Financial Information Service offers free, independent information through seminars and personal

appointments about tax and government benefits, even if you don't expect to claim a pension or benefit, see page 50 for contact details.

You may also need personal advice from a licensed advisory business that knows about tax, government benefits and retirement products.

Shop around

Check what your fund offers first, then shop around.

Your fund may offer generous super pensions with low fees that would be hard to find elsewhere. If your fund offers only a lump sum, check if you'd be better off buying a pension from another super fund or an annuity from a life insurance company.

Different products let you turn a lump sum into a stream of income for all your life, for a set period of time or until the money runs out. Check fees and find out how each product may affect your tax and government welfare benefits.

If you take a lump sum and look after it yourself, we suggest you:

- Learn more about investing.
- Seek advice only from licensed financial advisory businesses.
- Take extra care, especially if you're new to investing. Swindlers often try to cheat retired people with lump sums.



To find out more

Australian Securities and Investments Commission

Free financial tips and safety checks, including super and retirement planner calculators, and for help on suspected inadequate, misleading or deceptive information or misconduct, fraud or dishonesty.

consumer website: www.fido.gov.au

phone: 1300 300 630

Centrelink Financial Information Service

Free financial information and seminars, as well as help on government benefits.

website: www.centrelink.gov.au

phone: 13 23 00

Australian Taxation Office

Lost super accounts, co-contributions, tax rules and self-managed super funds. For more information about missing or incorrect super guarantee contributions talk to your employer first.

website: www.ato.gov.au

phone: 13 10 20

Australian Prudential Regulation Authority

If you suspect your fund is being mismanaged, or if your employer is not forwarding your personal contributions to your fund. For early release of super on compassionate grounds, talk to your fund first.

website: www.apra.gov.au

phone: 1300 131 060

Superannuation Complaints Tribunal

Complaints after you've tried to sort things out with your fund.

website: www.sct.gov.au

phone: 1300 780 808

Financial Industry Complaints Service

Complaints about advice on super from a licensed financial advisory business.

website: www.fics.asn.au

phone: 1300 780 808

National Information Centre on Retirement Investments (NICRI)

Free, confidential information over the phone and publications.

website: www.nicri.org.au
phone: 1800 020 010

Association of Superannuation Funds of Australia

Consumer fact sheets, calculators, and a dictionary of super terms.

website: www.asfa.asn.au
phone: 02 9264 9300

Investment and Financial Services Association

Consumer fact sheets, financial services glossary and general industry information.

website: www.ifsa.com.au
phone: 02 9299 3022

Superannuation ratings agencies

ASSIRT, Morningstar, SelectingSuper, SuperRatings and Chant West report on super fund performance. (These agencies are responsible for their data and ASIC has not independently verified it.)

websites: www.assirt.com.au
www.morningstar.com.au
www.selectingsuper.com.au
www.superratings.com.au
www.chantwest.com.au



The Australian Securities and Investments
Commission consumer website, FIDO,
offers you financial tips and safety checks



For consumers and investors

www.fido.gov.au

or phone ASIC's Infoline on

1300 300 630

ISBN 978-0-9775855-7-1