

# SOMETIMES...



## Federal Budget 2011

What super surprises did the Federal Budget hold for us this year?

### Refund of excess concessional contributions

The Government will provide individuals with a one-off option to have excess concessional contributions taken out of their superannuation fund and assessed as income at their marginal rate of tax, rather than incurring excess contributions tax. This option will only apply to first time breaches from 1 July 2011.

The measure will apply where an individual has made excess concessional contributions of up to \$10,000 (not indexed) in a particular year. This measure allows those who have breached the cap for the first time, by \$10,000 or less, the option to have these contributions refunded and taxed at their potentially lower marginal tax rate rather than the 46.5% effective excess contributions tax rate.

### Securing super - payslip reporting

From 1 July 2012, employers will have to provide detail on their employees' payslips of the actual amount of superannuation that has been paid into the employee's superannuation account.

Additionally, employees will receive quarterly notification from their super fund if regular payments into their account have ceased.

### Concessional contributions cap — higher cap for individuals 50 or over

From 1 July 2012, the Government will set a higher concessional contributions cap for individuals aged 50 and over with total superannuation balances of less than \$500,000. The higher concessional contributions cap will be \$25,000 above the concessional cap.

The concessional contributions cap is set at \$25,000. When it increases due to indexation, the higher cap will increase by the same dollar amount.

This measure was previously announced as part of the Government's response to the Henry Tax Report on 2 May 2010 and allows eligible persons 50 or over to continue to utilise the higher \$50,000 cap.

**Please be aware the above proposals are not yet law. For further information on the Government's Budget proposals visit [www.budget.gov.au](http://www.budget.gov.au)**

### Minimum payment amounts for account based income streams

In this year's Budget, the Government announced a gradual roll-back to the 50% income stream drawdown relief.

Effective from 1 July 2011, the relief will be reduced to a 25% reduction to the minimum drawdown amount.

From 1 July 2012, the relief will be withdrawn and pensioners will be required to draw the regular minimum drawdown amounts from their income streams.

### Extending the non-indexation of the co-contribution thresholds

In this year's Budget, the Government announced a 1-year extension to the freezing of the co-contribution upper and lower income thresholds, so that for the 2011/12 financial year, the lower income threshold will remain at \$31,920, and the upper threshold will remain at \$61,920.

### Greater use of TFNs by Fund Trustees

From 1 July 2011, Trustees will be able to use TFNs to locate lost member accounts and facilitate account consolidation.

### Flood levy

The budget papers confirmed the introduction of a Flood Levy for individuals earning \$50,001 or more.

This measure has been announced by the Gillard Government as a one-off tax for the 2011-12 period to assist with the cost of rebuilding areas devastated by the floods and Cyclone Yasi.

Payments from superannuation are captured as part of the levy. Further information for individuals is available on the Australian Tax Office website: [www.ato.gov.au/floodlevy](http://www.ato.gov.au/floodlevy) or you can view the Fund's website at [www.qiec.com.au](http://www.qiec.com.au)

1300 360 507  
info@qiec.com.au  
www.qiec.com.au  
PO Box 2130 Milton Qld 4064  
Level 1, 424 Upper Roma St, Brisbane

This information is of a general nature and does not take account of your individual financial situation, objectives or needs. Because of this you should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. You should obtain a Product Disclosure Statement (PDS) and consider the PDS before making any decision. If you require such specific advice, you should contact a licenced financial adviser. QIEC Super Pty Ltd (ABN 81 010 897 480), the Trustee of QIEC Super (ABN 15 549 636 673), is Corporate Authorised Representative No. 268804 under Australian Financial Services Licence No. 238507 and is authorised to provide general financial product advice in relation to superannuation.

QIEC\_Jun11\_U30

## inside

Does size matter?

Small funds vs large funds

The Federal Budget and super

What you need to know

*"In retirement I want to travel overseas – Europe and the United Kingdom, and around Australia. We want to be able to experience different cultures and lifestyles, see amazing scenery and natural wonders."*

**Tammy Charlton**  
QIEC Super Member

# noted ✓

MEMBER NEWS // WINTER 2011

**qiec  
super**  
first in our class

## Does size matter?

When deciding on the best super fund for you, does size matter? The reality is that some large funds are good and some small funds are good. It's not just size that decides whether a super fund is top notch or bottom of the pack. Paul Costello, who is Chair of the Peak Consultative Group for the Federal Government's Stronger Super reforms, recently had this to say on the subject of small versus large super funds:

"There is a concern that you can only be good at this game if you are big. I don't think that is a correct statement...What matters for a super fund is the consistency and stability of net (after fee) returns. You do not have to be large to do that. You can be excellent and small."

Pauline Vamos, Chief Executive Officer of the Association of Superannuation Funds of Australia, expressed a similar view in the March 2011 edition of Superfunds magazine:

"I can assure readers...that big is not always better, that small is not always expensive."

No doubt there are some slick sales people out there who will spin a story to suggest you are better off in a large super fund than in a small one. Beware of spin doctors who have a habit of not allowing facts to get in the way of a good story.

A review of SuperRating's\* investment return surveys confirms that small super funds can certainly hold their own against their much bigger cousins. Looking in your own backyard, the SuperRating's survey shows that QIEC Super has consistently provided members with above average investment returns.

For example, the Balanced Growth option (where most members are invested) has delivered above median returns over 5, 7 and 10 year periods - i.e. in the top half of the field.

Over the important 10 year period QIEC Super has really come up trumps with a top quartile investment return combined with fees which are amongst the lowest in the pack - i.e. lowest quartile in the SuperRatings fee survey. That's certainly a winning double!

Small funds have the advantage of being more nimble, allowing them to make quick decisions and switch investments more readily. It's a bit like turning around a speed boat compared to turning around an ocean liner.

It is also worth noting that professional trustee companies for master trusts are often owned by banks, insurance companies and investment management companies, who need their subsidiaries to make healthy profits to keep their shareholders happy. This translates to higher fees which in return makes it more difficult to deliver the best net (after-fee) returns.

Over both the short and long term, the "not-for-profit" funds have come out on top of the master trusts run by those companies. The following table shows the winning margin in favour of the "not-for-profit" funds for net investment returns over the various periods.

Period	1 Year	3 Years	5 Years	7 Years	10 Years
Ahead By	1.8% p.a.	1.0% p.a.	1.8% p.a.	1.6% p.a.	1.6% p.a.

Amount by which median returns for "not-for-profit" funds outperformed median returns for master trusts for periods ended 31/12/2010. Returns rounded to one decimal place. Source: SuperRatings Smart survey.

\*SuperRatings AFSL No. 311880 www.superratings.com.au

# ...GOOD THINGS COME IN SMALL PACKAGES!



*So bigger is not always better and in fact, small can be super!*

## Quality vs Quantity

When you are looking at how small super funds stack up against the big boys, have a think about some of the following qualities:

**1. Small funds have higher levels of personal service.**

They are much closer to their members and are able to keep in touch with them more easily, offering tailored services and much more face-to-face contact. The ratio of customer service managers to the number of members is typically higher in small funds than it is in large funds.

**2. There is a direct connection with your profession.**

Your super fund has a close link to your industry and you have industry representatives on the Board to help look after your interests.

**3. Insurances are tailored and relevant.**

In a small fund like the one you belong to, insurance is more targeted to the needs of employees working in that particular industry. Insurance is arranged on a "horses for courses" basis rather than one size fits all\*.

\*Please see Insurance Guide for conditions [www.qiec.com.au](http://www.qiec.com.au)

**4. Support for your profession.**

Your super fund specifically services your industry. It is tuned into your needs and provides active and appropriate support based on a close knowledge of your industry and an understanding of service standards and requirements built up over time.

**5. Small funds are nimble.**

We mentioned this in relation to investments but it also applies across the whole range of services delivered to super fund members. When feedback is received from members, decisions can be taken quickly without becoming bogged down in committees and bureaucracy.

**6. Small funds can keep a lid on costs.**

Big funds argue that you need size to drive down costs. But there's more than one way to skin the cat. Small funds can keep the lid on costs by teaming up their administration and operational functions with other like minded funds. Also, small funds are in a better position to ensure that money is not falling through the cracks or being unnecessarily squandered.

## Free money from the government!

**Because you're young, you can really make a difference to how your retirement dreams pan-out.**

You may have heard of the Government Co-Contribution but you might not know what it is. It's really quite simple. If your gross income\* is \$31,920 or less in the 2010/11 financial year and you contribute \$1,000 (after tax) into your QIEC Super account, the Government will match your contribution by 100%. That's an additional \$1,000 into your super account.

Where your total income\* is over \$31,920, the co-contribution payable will reduce by 3.33 cents for each dollar the assessable income\* is over \$31,920. It will reduce to zero at an assessable income\* of \$61,920. Think about it - if you do this from a young age your super balance could be huge!

Certain requirements do apply for this scheme, so it's best you read the QIEC Super Co-Contribution Fact Sheet on our website for more information.

You contribute	\$1,000	\$800	\$500	\$200
Total Income	What the Government will put into your Super			
\$31,920 or less	\$1,000	\$800	\$500	\$200
\$36,920	\$833	\$800	\$500	\$200
\$41,920	\$666	\$666	\$500	\$200
\$46,920	\$500	\$500	\$500	\$200
\$51,920	\$333	\$333	\$333	\$200
\$56,920	\$167	\$167	\$167	\$167
\$61,920	\$0	\$0	\$0	\$0

\*Income is defined as assessable income plus reportable fringe benefits plus reportable employer superannuation contributions (RESC). RESC is generally superannuation contributions which you have asked your employer to make as salary sacrifice (before tax) or additional employer contributions (in addition to Superannuation Guarantee and award contributions) paid on your behalf as part of a remuneration package. Consult your employer to identify the likely RESC for the financial year.

**Voluntary contributions are super easy to make and can be done through a direct debit from your bank account, BPay® or a deduction directly from your pay.**

To find out more, visit our website at [www.qiec.com.au](http://www.qiec.com.au) or give us a call!