

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

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From 1 July 2012, the relief will be withdrawn and pensioners will be required to draw the regular minimum drawdown amounts from their income streams.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 or you can view the Fund's website at www.qiec.com.au

inside

Does size matter?

Small funds vs large funds

The Federal Budget and super

What you need to know

"In my retirement I'd like to own a farm and have enough money to travel the world."

Jenneffia Biltoff
QIEC Super Member

noted ✓

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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.

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

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!



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

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.

Why doing it yourself *might not be so super...*

If you are thinking about starting a self-managed super fund (SMSF) make sure you take the time to research what is involved. The following four questions could help you decide if a SMSF is the right decision for you.

Question 1: Is the fund strictly for retirement benefits only?

The assets and money in your fund are strictly for retirement benefits only, not to run a business or to benefit you or anyone else outside the fund. The fund's investments are for the sole purpose of providing retirement benefits to members – there can't be any pre-retirement benefits to members or related parties (such as letting members use an investment asset).*

Question 2: Do you have the time and skills?

'Self managed' super means you do the work. Many people find it hard enough keeping up with their current super. You will need to make sure the fund is correctly structured, keeps meticulous records, and meets all reporting requirements (such as income

tax and regulatory returns, and reasonable benefit limits). You must also work out an investment strategy. Then you must select and manage investments well enough so they grow in value and meet your fund's investment objectives. ^

Question 3: Will the benefits be worth the costs?

SMSFs worth more than \$200,000 had average costs of around 2.3%. In comparison, low-cost (non-SMSF) funds charge as little as 0.75% each year, while offering professionally managed investments.* Even a 1% difference in fees can significantly impact your final retirement payout.

Question 4: How will switching to a SMSF affect your current circumstances?

Changing funds means changing benefits, services and fees. Make sure you don't leave yourself without death, TPD and Income Protection insurance. You may need to consider these additional costs for insurance when comparing the benefits of a SMSF with QIEC Super.

Keep in mind: If you decide to set up an SMSF you will either be a trustee of the fund or a director of the company that is a corporate trustee for the fund. Therefore, you are legally responsible for all the decisions made even if you get help. A professional can provide advice and assistance but you're ultimately responsible.

Tax agents or accountants can help you set up a SMSF but they must not advise you about which super fund best suits you or which investments should be in your fund, unless they're also a licensed financial advisory business.*

*Rainmaker Information Commissions Revenue Report May 2009 ^ <http://www.fido.gov.au/fido/fido.nsf/byheadline/Is+self+managed+super+right+for+you%3F?openDocument>
<http://www.ato.gov.au/superfunds/content.asp?doc=/content/00182491.htm>