STATE SUPER
SAS Trustee Corporation

OCT 2016

SASS

# SuperViews



**ALSO INSIDE...**

# State Super update

## Successful sale of StatePlus

In June 2016, after more than 25 years of ownership, State Super accepted an offer from First State Super to acquire all of the shares in StatePlus (formerly known as State Super Financial Services). The acquisition by First State Super followed a rigorous sale process to ensure the best result for State Super and its members.

As an asset of the Pooled Fund it was important that the sale generated not only a good financial return for State Super but also maintained the quality of services to our members. We believe that the deal with First State Super delivers on both these points.

State Super will continue to have a strong relationship with StatePlus and is looking forward to continuing a long and mutually beneficial working relationship with First State Super. We have every confidence that First State Super will strive to ensure StatePlus continues to provide premium financial planning and advice services to State Super members.

## Pillar Administration available for sale

In May 2016 the NSW Parliament passed a bill to officially put Pillar Administration (a state-owned superannuation administration business) on the market for sale.

Pillar Administration is State Super's member administration and customer service provider and one of our key service partners. Our commitment is to ensure, as far as possible, that the services provided to us as a Trustee and to our members are maintained both during and after the sale.

## Federal Budget 2016

In May 2016 the Turnbull Government handed down its first Federal Budget, which contained a number of proposed changes to superannuation.

Much water has passed under the bridge since then and proponents and supporters from all arms of Government and society have provided their post-budget commentary. At the time of writing, none of the changes to superannuation announced in the May budget have been legislated.

As the Trustee of the State Super schemes we have, and will continue to, consult with the NSW Government to determine what this means for our members and how the measures may apply to the State Super schemes. We will communicate this information to members via the State Super website when it becomes available.

A full summary of the proposed changes relevant to State Super members was provided at the time the budget was handed down and is available via the Latest News section of the State Super website.

## Keep an eye on the news!

These and other State Super updates and announcements are provided to members as they become available via the State Super website.
Visit the Latest News section at **www.statesuper.nsw.gov.au.**

# Investment market overview

## Domestic growth hobbles along

The Reserve Bank of Australia (RBA) has kept a firm hand on interest rates over the last 12 months, with the only movements being a 0.25% reduction in May and August 2016. This reflects the RBA's continued belief that stimulus is needed to support growth and domestic demand, and to help keep a lid on the exchange rate for the benefit of Australian exporters. Overall growth has been mildly positive, supported by reasonable domestic demand, and has resulted in a moderately positive labour market.

The chink in the armour appears to be business investment, which has been declining steadily since 2012. The major culprit has been the mining sector, while non-mining sector business investment has been patchy at best. In contrast, dwelling construction has been strong.

## Positive signs continue in the U.S.

While not spectacular, U.S. GDP grew by an annualised rate of 1.2% during the second quarter of 2016. The manufacturing, employment and personal consumption sectors were among the brighter spots in the overall picture. The consumption sector, which accounts for more than two-thirds of economic output, expanded at a rate of 4.2% in the second quarter, its best gain since late 2014. The combination of slow growth and strong personal consumption was possible due to a reduction in inventories.

The 2015 oil price slump had a big influence on the sub-1% inflation rate of last year. However, for 2016, the subsequent partial recovery in oil prices could cause slightly higher inflation. Wage pressures are also starting to emerge in the U.S. and, as a result, the Federal Reserve is expected to slowly increase interest rates.

## China continues to adjust

In 2015, as a way to stimulate China's economy, the central bank implemented credit easing policies in order to create liquidity in their banking system and increase lending. The policies seem to have borne fruit, with GDP reaching the predicted 6.5% range this year. This was supported by a drop in currency and strong retail sales. As the Chinese leadership has committed to doubling per capita disposable income between 2010 and 2020, the economy would need to grow on average by 6.5% between now and 2020, and authorities may need ongoing stimulus to deliver on their commitment.

> The longer term effect on markets is a lot more difficult to forecast, with many competing forces at play.

## The Brexit shadow over Europe

GDP growth in Europe was just below 2% in 2015 and while original expectations were for a similar result in 2016, Brexit (Britain's decision to exit from the European Union) has resulted in a slight downward revision. Persistently low interest rates, low oil prices and the Euro's exchange rate have supported growth, while growing consumer demand, a reduction in unemployment and a gradual downward trend in European government debt and deficit are cause for hope.

The shadow of Brexit, however, has added a layer of uncertainty and the spectre of bad loans is haunting Europe's banking sector. The cautiously optimistic outlook therefore remains fragile.

continued overleaf

# Investment market overview - continued

## What the markets are doing

The predictable shock to markets when Brexit occurred was dramatic, but the bounce back was just as quick. The longer term effect on markets is a lot more difficult to forecast, with many competing forces at play. International equity markets hit a low point in February this year, but have since picked up. There may still be volatility to come, but expectations are for more moderate returns ahead. In the U.S. market, 2016 is expected to end up marginally more positive than last year, although the end of the year could be impacted by the outcome of the U.S. presidential election. At home, after a tough start to 2016 there is hope for continued improvement by the end of the calendar year.

> The Trustee Selection and Growth Strategies in particular benefited from the active tilting process during the year ...

## State Super's investment performance

The last financial year saw both Australian and international equities perform poorly. In contrast, infrastructure, property and other unlisted assets held up well and made strong contributions to total returns for the year. It was also a year where both Australian and international bonds did well despite elevated valuations. Australian bonds generated 7.1% while international bonds generated 5.2% (fully hedged) compared to a return on cash of 2.3%.

The poorest performing asset class for the year was international equities, which returned 0.6% unhedged.

The Trustee Selection and Growth Strategies in particular benefited from an active tilting process during the year, which was designed to crystallise returns. This was an important feature, particularly as all the strategies had negative cash-flow.

The declared returns for the four member investment choice strategies as at 30 June 2016 over one, three, five and ten years are as follows:

| Strategy | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| **Growth** | 5.0% | 9.1% | 8.9% | 5.7% |
| **Balanced** | 5.3% | 8.3% | 8.2% | 6.0% |
| **Conservative** | 4.6% | 6.5% | 6.7% | 5.7% |
| **Cash** | 2.0% | 2.3% | 2.9% | 3.8% |

**Important!**

**Important:** Past performance is not a reliable indicator of future performance. The crediting rates shown above have been rounded to one decimal point and are shown as an annual rate. Actual crediting rates are declared monthly to four decimal places. The annual rate is the compounded monthly rates.

# Registering a de facto relationship

Did you know that if you are in a de facto relationship and something were to happen to you, the burden of proof rests on your partner in order for them to receive spousal entitlements to your State Super benefit after your death?

By registering your relationship, you could make the application process easier for your loved ones at what can be an emotionally challenging time.

The NSW Relationships register provides legal recognition for a couple regardless of their sex, age or prior marital status, through the registration of their relationship.

## Who can register their relationship?

Adults who are in a relationship as a couple can apply to register their relationship provided at least one of them lives in NSW. Adults in both heterosexual and same-sex relationships are eligible to register. A couple does not have to live together to be eligible to register their relationship.

However, a relationship CANNOT be registered if either person is:

- under 18 years of age
- married to another party
- in another registered relationship
- in a relationship as a couple with another person, or
- related to the other by family.

## What to consider before registering a relationship

Couples in registered relationships will be recognised as 'de facto partners' for the purposes of most legislation in NSW, and will also be subject to certain obligations or restrictions under NSW law.

This means people in registered relationships will be able to rely on their certificate of registration to access various entitlements, services and records under NSW law. Registered couples may also be able to access key benefits and rights more easily under NSW legislation.

In situations that are not governed by legislation, service providers may choose to accept registration of a relationship as proof of its legitimacy. State Super and its administrator accept registration of a relationship as proof of the legitimacy of that relationship and take this into consideration when determining spousal or death benefit entitlements.

## How to register a relationship

To apply in NSW, partners need to complete an application form and make a statutory declaration stating that they:

- wish to register the relationship
- are either:
  - not married or in a relationship as a couple with anyone else, and are not related to each other by family, or
  - married in a same sex marriage that took place overseas
- are not in another registered relationship whether in NSW or in another Australian jurisdiction, and
- do or do not reside in NSW (at least one member of the couple must reside in NSW).

When applying, proof of identity is required for each person, along with payment of a fee ($213 at 18 April 2016).

Once an application is made, there is a 28-day cooling-off period in which either party can withdraw the application. After that time, the Registrar will register the relationship and issue the couple with a certificate.

**Please note:** The above process relates to NSW only, and the process and fees may vary in other states.

## Can a relationship be unregistered?

If, for whatever reason, you decide that you no longer want the relationship to be registered, you can revoke the registration through the Registry of Births, Deaths and Marriages. There is an $80 fee in NSW and either or both parties can apply. Both parties do not need to agree to revoke the registration. There is a 90-day cooling-off period before the registration is revoked.

## More information

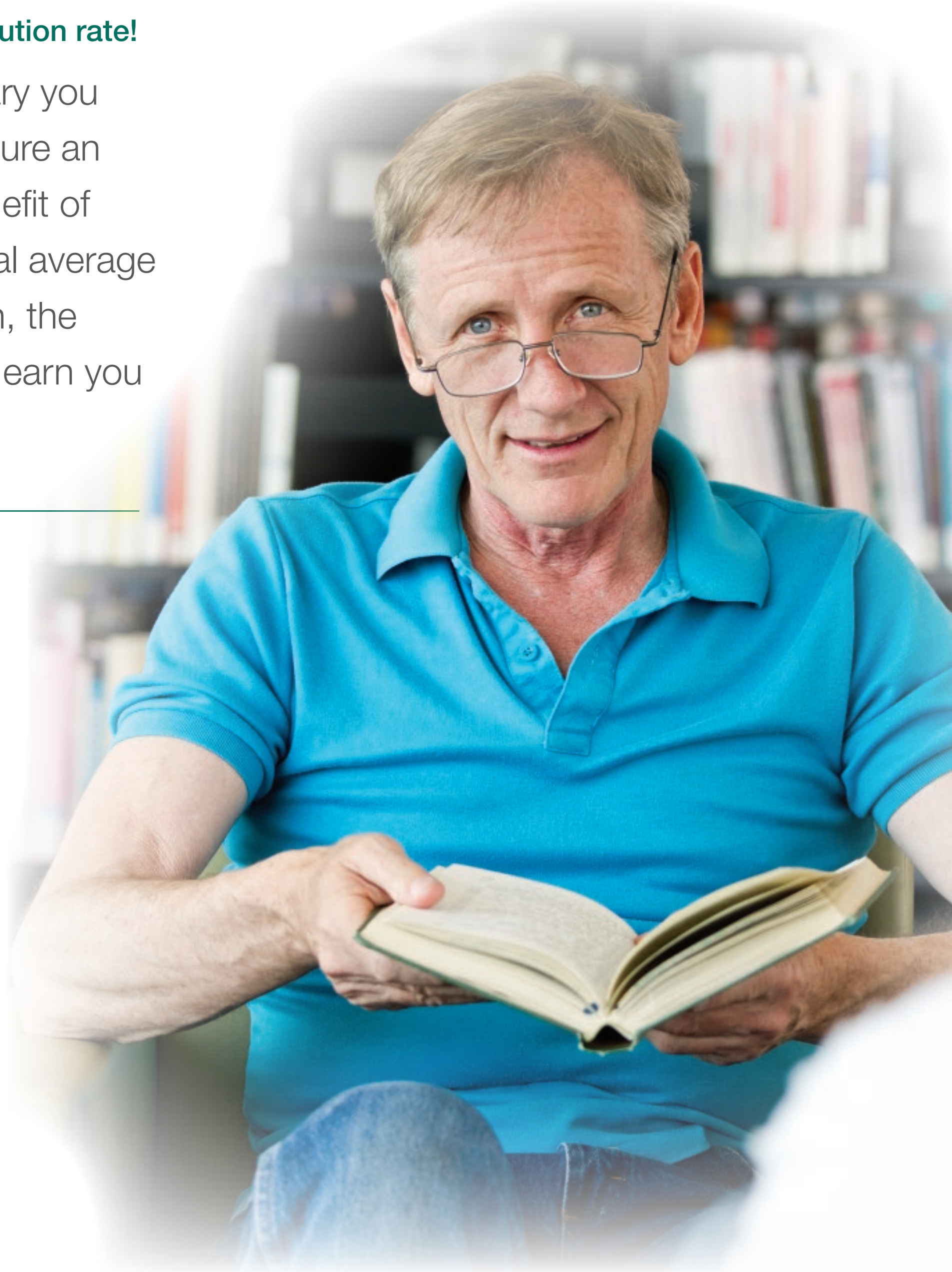
For more information on how you can register your relationship, simply go to the Births, Deaths and Marriages website for the state you live in.

For NSW, the website address is www.bdm.nsw.gov.au/Pages/marriages/relationship-register.aspx

# **Maximise your** employer-financed benefit!

### Now's the time to change your contribution rate!

For every 1% of your current salary you contribute to SASS, you also secure an additional employer-financed benefit of approximately 2.12%* of your final average salary when you retire. In addition, the contributions you make to SASS earn you investment returns.



Your scheme was designed to provide you with flexibility throughout the various stages of your life. While you can contribute between 1– 9% each year, maximising your employer-financed benefit is based on making an average contribution of 6% per year. The maximum benefit points you can reach after 30 years of full time fund membership is 180 points.

If you are not contributing at the maximum rate, you may not receive the entire employer-financed benefit you could be entitled to upon retirement.

You can change your contribution rate once a year by completing and returning a contribution rate election form by 31 December (your actual contributions will not change until the following 1 April).

If the time is right for you to change your contribution rate, simply use the election rate form enclosed with your Annual Statement pack and return it in the reply-paid envelope provided.

> Your scheme was designed to provide you with flexibility throughout the various stages of your life.

*This amount is after the reduction for tax on employer contributions payable by the fund since 1 July 1988. If you joined the scheme prior to 1 July 1988, the employer contributions tax is not applicable to the part of your benefit that accrued prior to 1 July 1988. Note that former SPSSF members would receive 2.55%.

> If the time is right for you to change your contribution rate, simply use the election rate form enclosed with your Annual Statement Pack ...

# Case study: Jeffrey (aged 59)

Jeffrey has been a member of SASS since 1990 (26 years) and has accrued 126 benefit points to date. He plans to retire in six years when he reaches 65. If Jeffrey maintains his current contributions at 4% p.a. he will have accrued 150 benefit points at retirement.

However, Jeffrey could increase his after-tax contribution rate to 9% p.a. in order to catch up and retire with maximum benefit points.

Let's assume Jeffrey's final average salary (FAS) is $80,000 (in today's dollars) and he has a current personal account balance of $144,000. The table below explains what Jeffrey may gain by increasing his contribution rate (in today's dollars).

| | Before | After |
|---|---|---|
| Final average salary (FAS) | $80,000 | $80,000 |
| Current benefit points | 126 | 126 |
| Contribution rate (p.a.) | 4% ($3,200) | 9% ($7,200) |
| Projected benefit points at retirement | 150 | 180 |
| Projected employer-financed benefit (EFB)[1] | $254,400 | $305,280 |
| Projected personal account[2] | $192,642 | $218,516 |
| **Projected total SASS benefit** | **$447,042** | **$523,796** |
| Projected basic benefit (BB)[3] | $61,200 | $61,200 |
| **Potential benefit of additional contributions** | | **$76,754** |

1. EFB = approximately 2.12% x FAS x accrued benefit points (after reduction for the tax on employer contributions payable by the fund since 1 July 1988).
2. In today's dollars, assuming a net earning rate of 6% p.a. discounted for increases in the Consumer Price Index of 3% p.a.
3. In addition to the SASS benefit, a basic benefit of 3% x FAS x years of membership (since 1 April 1988) is also payable (approximately 2.55% after reduction for the tax on employer contributions payable by the fund).

Note: Benefits tax may apply if you receive your benefit before age 60.

Based on these assumptions, if Jeffrey increases his contribution rate from 4% to 9% (at an extra cost of $4,000 per year or $24,000 over the six years until retirement) his SASS benefit could be improved by approximately **$76,700.**

While your circumstances may not allow you to contribute as much as 9%, every additional percent contributed will make a difference.

# How to read your Annual Statement

## Page 1

### YOUR BENEFIT SUMMARY

Here you'll find a summary of the **benefits you are entitled to** at the end of the statement period and a projection of your retirement benefit if you are younger than your eligible retirement age.

**STATE SUPER**
SAS Trustee Corporation

**SASS**

your **Super** statement

**Member name:** Sally Sample

**Member Number:** 123456

**Balance at 30 June 2015**

$149,000.00
Account balance

$270,000.00
Immediate withdrawal benefit

$415,000.00
Deferred benefit

$475,000.00
Retirement benefit at age 58

Changed your details?

Have you recently changed your contact details? If so, you can update your details by going to the **secure** member area of the State Super website at **www.statesuper.nsw.gov.au/sass,** complete and return the *update your contact details* section of the enclosed form or contact Customer Service on **1300 130 095**.

This is a statement of your benefit entitlements in the State Authorities Superannuation Scheme (SASS) and the State Authorities Non-contributory Superannuation Scheme (SANCS). You should read your statement with the enclosed explanatory notes and literature. If you do not understand some of the information on your statement or think there may be an error, please contact Customer Service on **1300 130 095** between 8:30am and 5:30pm, Monday to Friday.

### YOUR BENEFIT POINTS

At 30 June 2015

| | |
|---|---|
| **Contributed points** | 80.00 |
| **Maximum points** | 120.00 |
| **Accrued points** | 80.000 |

pts

Here's a quick snapshot of your **benefit points**.

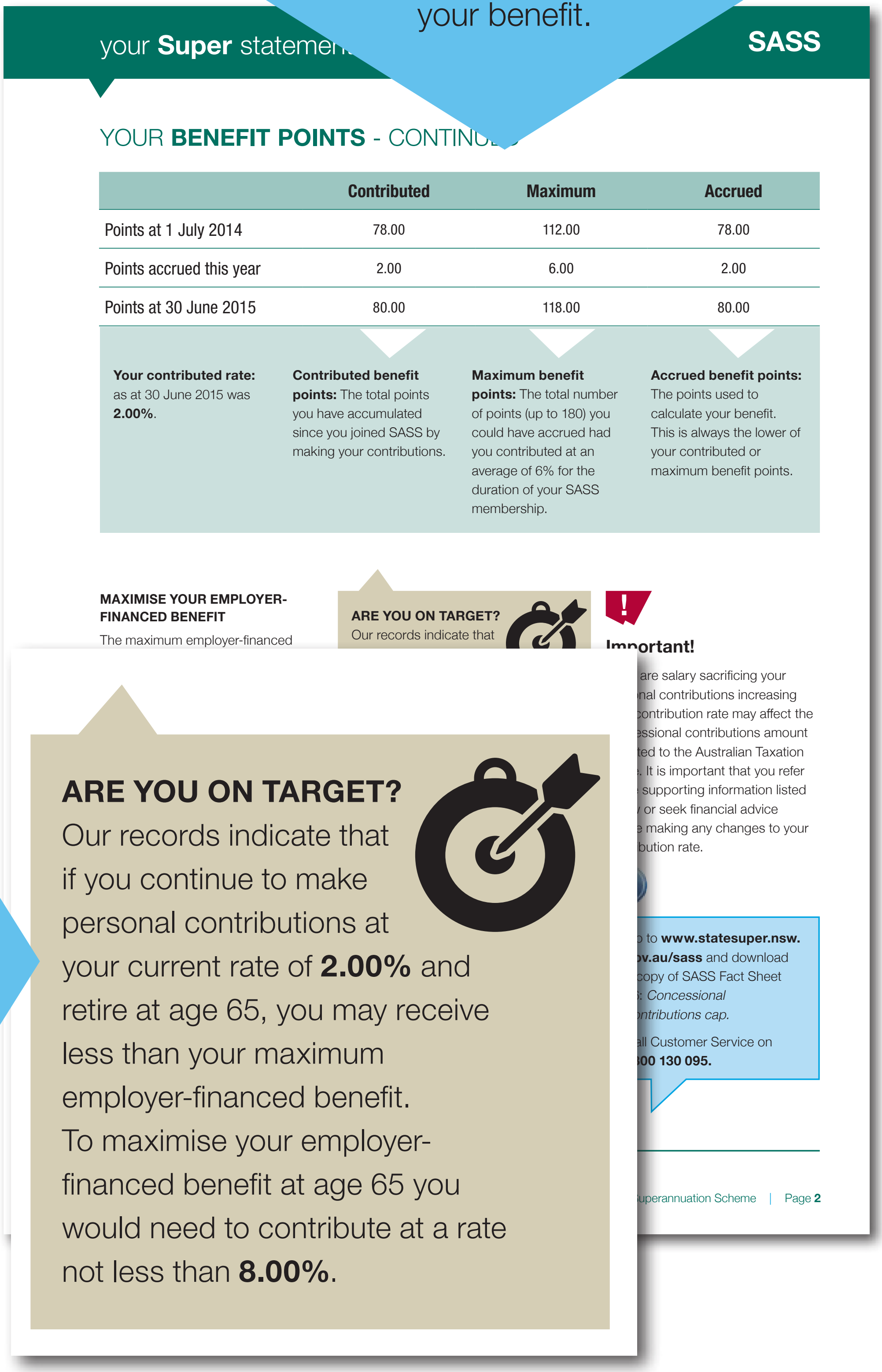
A more detailed summary is on **page 2** of your statement.

# Page 2

## YOUR **BENEFIT POINTS**

Here you can see the number of contributed, maximum and accrued benefit points you have contributed for throughout the year.

Your **accrued points** are used to **calculate** your benefit.


your **Super** statement

SASS

YOUR **BENEFIT POINTS** - CONTINUED

| | Contributed | Maximum | Accrued |
|---|---|---|---|
| Points at 1 July 2014 | 78.00 | 112.00 | 78.00 |
| Points accrued this year | 2.00 | 6.00 | 2.00 |
| Points at 30 June 2015 | 80.00 | 118.00 | 80.00 |

**Your contributed rate:** as at 30 June 2015 was **2.00%**.

**Contributed benefit points:** The total points you have accumulated since you joined SASS by making your contributions.

**Maximum benefit points:** The total number of points (up to 180) you could have accrued had you contributed at an average of 6% for the duration of your SASS membership.

**Accrued benefit points:** The points used to calculate your benefit. This is always the lower of your contributed or maximum benefit points.

**MAXIMISE YOUR EMPLOYER-FINANCED BENEFIT**

The maximum employer-financed

**ARE YOU ON TARGET?**

Our records indicate that

**Important!**

are salary sacrificing your
nal contributions increasing
contribution rate may affect the
essional contributions amount
ted to the Australian Taxation
. It is important that you refer
supporting information listed
or seek financial advice
e making any changes to your
bution rate.

to **www.statesuper.nsw.**
**v.au/sass** and download
copy of SASS Fact Sheet
*Concessional*
*ontributions cap.*

ll Customer Service on
**00 130 095.**

uperannuation Scheme | Page **2**

**ARE YOU ON TARGET?**

Our records indicate that if you continue to make personal contributions at your current rate of **2.00%** and retire at age 65, you may receive less than your maximum employer-financed benefit.

To maximise your employer-financed benefit at age 65 you would need to contribute at a rate not less than **8.00%**.

If you are not contributing at a rate that will see you maximise your employer-financed benefit by age 65, you will see this reminder on your statement.

**It even shows what you would need to contribute to help you get back on target!**

continued overleaf

How to read your Annual Statement – continued

# Look out for these symbols on your statement

If you see this symbol on your statement, it is highlighting **must know** information.

**Important!**

This symbol shows you where to find **more information** on a topic.

### The new Additional Employer Contribution (AEC)

New to this year's statements is the inclusion of any Additional Employer Contributions that have been paid to your account (if eligible). The payments have been allocated to a new SANCS AEC account, and these amounts plus any accrued interest will be featured in various places such as the 'Your Accounts', 'Your Retirement Benefit' and 'Your Transactions' sections of your statement.

More detailed information about the Additional Employer Contribution can be found in the Explanatory notes which accompany your statement.

### Your membership details

The 'Your membership details' section of your statement is where you'll find a summary of all your membership details in one handy snapshot. The table includes information such as your eligible retirement age, current contribution rate, salary, whether you have a pension option, are contributing via salary sacrifice and much more. It's all here, so be sure to check out this section on page 3 of your statement.

### Your accounts

In the 'Your accounts' section you'll see your current account balance, a breakdown of the before-tax (salary sacrifice) and after-tax contributions you have made, your investment earnings/losses for the year as well as any Government Contributions that you have and other transactions that affect your personal account.

### Your investment choice details

Here you will find a snapshot of how your benefit is being invested and what investment choice changes you have made throughout the year. It's important to keep an eye on how your benefit is being invested. As you head towards retirement you may want to consider adjusting your investment strategy to ensure it is right for you.

### Your retirement benefit

If you want to see what your total benefit will be when you retire, this is the section for you! You can find a breakdown of your benefit, which is projected at retirement ages 58 and 70, so you can get an idea of how much you are entitled to at either age. The total benefit amounts are based on a number of factors, such as how much you have contributed in the past or are currently contributing from your salary or whether you have any debts, and are calculated on the current reported salary we have on record. If you are older than your scheme retirement age, you will see your benefit at 30 June and age 70.

### Access to your superannuation benefits

To see more information on your Commonwealth preservation age, and a breakdown, and explanation of the lump sum amounts available to you and when they will be available, take a look at the 'Access to your superannuation benefit' section.

### Taxation information

Here you'll find your eligible service period start date and your tax-free amount for tax purposes at 30 June. If you have a Division 293 tax debt account, we'll notify you in this section.

### Your transactions

The transactions that occurred on your account during the statement period are listed here. This will include items such as management fees, contributions and payments made to debt accounts, as well as Additional Benefit Cover premiums if they apply to you.

### Fees and costs

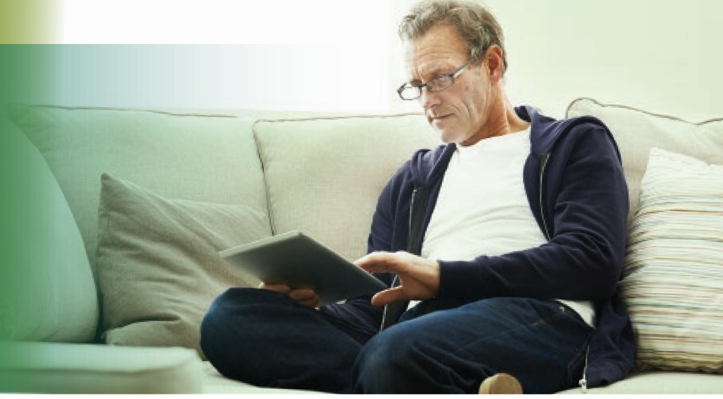
A breakdown of the fees and costs you have been charged in the statement year are included in the 'Fees and costs' section of your statement. There is also a useful explanation of each of the possible fee types.

### Need help understanding your annual statement?

You can contact the State Super Customer Service Team on **1300 130 095** if you need assistance locating particular information or if you don't understand some of the information contained in either your annual statement or the explanatory notes.

# Get fraud aware!

How often do you check your superannuation statements? If your identity had been stolen would you recognise the signs?



So what do you need to look out for to ensure you protect yourself and your superannuation from fraud and identity theft?

## Superannuation scams and identity theft

### Super scams and warnings

- **Promotions for early access to your super** – accessing your super before age 55 (or later if you were born on or after 1 July 1960) – is illegal except in very limited circumstances.
- **Offers to 'take control' of your super** – i.e. suggestions that moving your money into a self-managed super fund (SMSF) may allow you to access the funds to pay off debts or buy something you really want. SMSFs must follow the same access rules as other superannuation funds.
- **Unlicensed operators** – always check to ensure the companies and individuals you deal with are licenced. If you are unsure, see ASIC's professional registers at ASIC Connect or APRA's Registrable Superannuation Entity Disqualification register.

### Identity theft

Identity theft does happen, and most of the time its victims are oblivious to it. Thieves will collect your personal information by rummaging through garbage bins and rubbish tips in order to steal your letters, household bills and statements. So what should you be aware of?

- Amounts of money going missing from your bank accounts without explanation.
- Suddenly having an unexplainable bad credit rating.
- The amount of mail you receive decreases – this may indicate someone is stealing or redirecting your mail.
- An unknown caller pushes you to provide personal information and discourages you when you ask about the legitimacy of their request.
- You get a random email or call asking you to validate or confirm your personal, banking or superannuation details.

## How to protect yourself

- Check credit card, superannuation and bank statements regularly to ensure early detection of any suspicious transactions. Contact your provider if you notice anything out of the ordinary.
- Shred all documentation that contains personal information (i.e. statements, applications etc.) before discarding.
- If possible, secure personal documents at home.
- Keep your details up-to-date with financial service providers to ensure your mail doesn't end up in the wrong hands.
- NEVER send money or give out personal details to people you don't know.
- If you receive a phone call from a superannuation fund, bank or other organisation, don't provide your personal details. Instead, ask for their name, the company they are calling from and a contact number so that you can call them back. Look up the organisation via an internet search and check that the phone numbers and details of the organisation are the same before returning the call.
- Never use a public computer for banking as your details will be stored on that computer.
- Keep your phone or other mobile devices in a safe place.
- Always type website addresses into your browser. Avoid clicking on links within an email.
- Be careful what information you provide on social networking sites.
- Enable security settings and install up-to-date anti-virus software on your phones and computers.

If you have any concerns regarding the security of your superannuation account, please contact the State Super Customer Service Team.

**Are your details up to date with State Super?**

Remember, it's important that we always have your most up-to-date details on file.

If you need to update your information or simply wish to check that the details we have on record are correct, please contact State Super on **1300 130 095** or email us at **enquiries@stc.nsw.gov.au**.

# **What can you do** with your **lump sum** when you retire?

A lump sum may seem like a lot of money but remember, it has to last through your lifetime.

When you make the decision to retire and access your SASS benefit, you will need to decide what to do with the lump sum you receive. For many of us, the length of retirement is unknown. So it's important to ensure you have a regular income in retirement.

To help get you thinking we've outlined some of your options below.

### Convert it to a superannuation income stream – an account-based pension or annuity, for example

- With an account-based pension, your pension provider will invest your lump sum and provide you with regular pension payments monthly, quarterly, half-yearly or annually. You are required to withdraw a minimum amount each year depending on your age and your balance. Your account-based pension will last until your balance is exhausted. You can also access your cash when you need as you have the ability to withdraw lump sums.
- An annuity, also known as a lifetime or fixed-term pension, pays you a guaranteed income for a set period or for life. If you're looking for the security of a guaranteed income for a certain period of time, an annuity could meet your needs. There is, however, less flexibility – you may not be able to take your money out as a lump sum, you won't be able to choose how your money is invested, and you may not be able to transfer to an account-based pension later.
- Both pensions and annuities purchased with funds from your super are tax free from age 60, and you don't pay tax on investment earnings.

### Start a self-managed super fund (SMSF)

- Some of the benefits of SMSFs include greater control over the investment strategy, ongoing management of your portfolio and greater flexibility in investing your retirement funds. In addition, while all super funds are generally subject to the same tax rules and concessions, there's greater flexibility with an SMSF.
- On the other hand, setting up your own SMSF carries both responsibilities and risks. As a starting point, the Australian Securities and Investments Commission (ASIC) suggests that the costs of establishing and operating an SMSF with a balance of $200,000 or below are unlikely to be competitive, compared to a larger super fund.[1] You'll also need the skills and time to meet your trustee responsibilities and manage your own fund.

### Take it as cash and invest it outside of the super environment – direct property, a share portfolio, a term deposit or cash annuity for example

- **Direct property**: Property can be a great long-term investment. However, while property tends to be less volatile than shares, it also carries risk – prices can go down as well as up, as can rent. There will also be additional costs involved like insurance and general upkeep.
- **Shares**: Returns from shares can be a reliable way to generate 'real returns' but, as with property, there are also risks. However, bear in mind that in retirement your objectives are different, since you're using your savings to fund your lifestyle.
- **Term deposits**: The key advantages of a term deposit are the low risk of losing your money, and certainty of the interest rate received, regardless of whether rates go up or down during the tenure. The disadvantages include penalties if emergency access to the money is needed; the savings are locked in at a specific rate even if interest rates go up, and, generally, term deposits provide a lower return than other similar products such as online savings accounts.

> If you take your money out of super as a lump sum, you may not be able to put it back.

[1] ASIC information sheet 206 for guidance of Australian financial services (AFS) licensees, issued July 2015.

**Rollover to another superannuation fund – an accumulation account**

- You can roll funds over to an accumulation fund which has different rules to the pension environment. In this case, it's important to be clear why you want to do so. For example, it could be to maximise Centrelink entitlements or as an interim measure until you decide what you want to do.

**Defer your benefit in SASS**

- This is an option if you haven't decided what to do with your benefit, or you wish to retain your benefits in the accumulation phase and are comfortable with the SASS scheme.

## What are some of the factors that you should consider?

Often the first question to come to mind when we think about retirement is, how much money will I need? Of course, it's important to think about your finances. But it's difficult to know how much money you'll need without first understanding what lifestyle you are expecting in retirement.

**How much money you will need to fund your retirement lifestyle will depend on:**

- How much capital expense you expect to incur
- How much income you need
- Your investment earnings
- The length of your retirement

When you're retired, in most cases your money needs to generate sufficient returns to meet your lifestyle needs. When deciding what to do with your lump sum, it's important to consider how the money should be invested. Investing in an appropriately cautious way in retirement needs to be balanced against the need to take some modest investment risk to ensure inflation doesn't erode the value of your retirement savings.

**Some of the factors that need to be taken into consideration include understanding each of the following:**

- When you can access your benefit
- The tax implications
- How you plan to meet your income needs in retirement
- How you plan to invest your money when you've retired

**Keeping your money in super**

There are many benefits to keeping your money in the super environment, including:

- Not having to pay tax on your superannuation benefits. If you leave your super in the system until you turn 60 you don't have to pay tax on your super benefits. If you satisfy what's called a 'condition of release' and take your super before you turn 60, tax will be payable on your benefits. Bear in mind that super laws could change, even though the Government has previously declared that tax-free super for those over 60 will remain. If you convert your benefits to an account-based pension, interest you earn in the income phase is also tax free.
- Although superannuation options can provide more flexibility, remember that if you take your money out of super as a lump sum, you may not be able to put it back. So think carefully before you act.
- In certain cases, there's the potential to increase your Centrelink benefits, for example, if you have a younger spouse.
- Some SASS members may be entitled to a lifetime pension as part of their benefit, which they will forfeit if they decide to take their benefit as a lump sum.

**There's a lot to consider, and seeing a financial adviser to determine what will work best for you before you make any decisions about taking a lump sum is generally a good idea.**

# **Managing debt** in the lead-up to retirement


We often hear the question, should I pay off my mortgage or contribute more to super? The answer will vary from person to person, but as a starting point, let's look at different types of debt.

## 'Good' debt vs 'bad' debt

Where debt is used to acquire investments such as shares or property, this is known as gearing and is often referred to as 'good' (or deductible) debt, due to the potential to claim a tax deduction in respect of the borrowing as well as the fact that you have borrowed against an asset that can appreciate in value.

'Bad' debt is non-deductible debt, like borrowings for consumer goods such as cars and holidays or credit card debt. While a loan for the family home is non-deductible, it shouldn't necessarily be viewed as 'bad' debt because the value of your home can grow over time.

In any case, paying off non-deductible debt before deductible debt will usually be the most appropriate course of action for many people.

## Strategies to pay down debt before retirement

If you start your retirement with a lot of debt, including scheme debts and personal debts, it can significantly impact your lifestyle in retirement. It's important to have a strategy to manage your debt levels, particularly in the five to ten years prior to retirement (although it's never too late or too early to act). Limiting the amount of debt you take into retirement can help keep your lump sum whole which will provide you with more options to build and maintain an income stream in retirement.

You should, however, also consider the potential benefits of directing spare savings to your super which could be greater than the interest savings you can achieve by increasing your mortgage payments. Other debts such as credit cards and personal loans can have a higher interest rate than your mortgage, so need to be considered separately.

## Tips for managing debt

**Make loan repayments more often**: Many home loans have a default repayment frequency of monthly. Consider making your repayments fortnightly instead of monthly as this can reduce the term of your loan and save a substantial amount of interest in the process. The interest savings arise because some of the loan is being repaid two weeks earlier than if the repayments were made monthly and the total annual repayment is higher. This assumes you pay half your current monthly repayment rate for 26 fortnights, and you're not reducing your fortnightly equivalent payment.

**Debt consolidation**: Many people build up a variety of different types of borrowings including a home, car and/or boat loan, credit cards and investment loans. By consolidating several loans you can often achieve a lower overall borrowing cost. This will allow you to service your debt sooner, direct repayments to 'bad' debt first and save on interest – not to mention the fact that you may also be able to simplify your finances significantly.

### Financial advice can help you build a plan for managing your finances

There are some things to consider if you want to reduce debt when approaching retirement based on your individual situation, such as:

- Your options for income in retirement
- Which debt you should focus on first
- The impact your choice will have on debts in your scheme account
- Your ability to commence repayment
- The structure of your assets and retirement funds
- The size of your debt
- Whether contributing more to super instead of paying off debt may provide a better outcome at retirement.

### The earlier you focus on managing your debt, the better.

A StatePlus financial planner can work with you and provide you with financial advice that will help you successfully plan your retirement and manage your future.

To book an obligation-free appointment, call **1800 620 305** or visit **www.stateplus.com.au**.

This article has been provided by StatePlus. For more information on the relationship between State Super and StatePlus, refer to the back page of this newsletter.


# "I retired from work.
# Not from life."

We know you have a lot of choices when it comes to retirement, but choosing to keep your money in super, rather than taking a lump sum, does have its benefits. You can elect to get a regular income, enjoy long-term tax benefits and also have the flexibility to access cash when you need to. That way you can live the lifestyle you want to live… and go wherever the road takes you.

We all have retirement goals. As an expert in the SASS scheme, a StatePlus financial planner can help you start planning how to retire life rich today.

Visit **stateplus.com.au/stories** to see Victor's whole story.

StatePlus

*Formerly State Super Financial Services*

# Member Services update

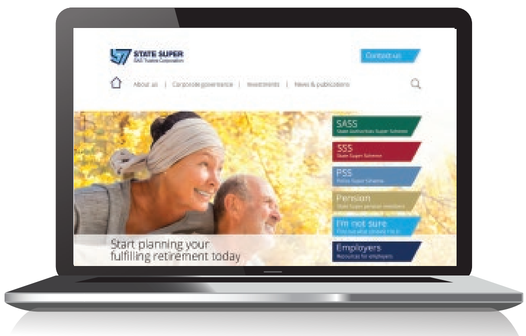
## COMING SOON... A new State Super website

In January 2017, we will be launching our new look website.

But it doesn't just look different. We're also creating new interactive features that will make understanding your State Super scheme and benefits that little bit easier.

- **New retirement roadmap** – to help you prepare for retirement and access your State Super benefits we've developed a brand new section which pinpoints where you're at on your journey and directs you to relevant information. It also guides you to information when unexpected detours (for example redundancy or divorce) occur along the way.
- **Salary sacrifice calculators** – find out the difference salary sacrificing your contributions to SASS can make to the amount of tax you pay and the amount of income you take home.
- **Investment section revamp** – gauge what type of investor you are, with our new investor profile survey. We're also improving how we display investment performance figures so they are easier for you to compare and understand.

You'll still find all of the information that you're used to, including fact sheets, forms, information about the financial planning services available to you and the latest news from State Super. It will just be easier to find!




**We'd love to receive your feedback and suggestions**

Keep an eye out for the user feedback questionnaire on the new State Super website which will help us ensure it continues to develop and meet your needs.

You can also email your feedback and suggestions to us via the contact details below.

## Contact us

**Phone** 1300 130 095

**Website** www.statesuper.nsw.gov.au

**Mail** State Super, PO Box 1229
Wollongong NSW 2500

**Email** enquiries@stc.nsw.gov.au



SASSV 1016