

# Employer Newsletter



April 2008

FuturePlus Super



## Welcome to the Employer Newsletter.

In this issue, we remind you of the importance of supplying us with any new employee's Tax File Number and we update you on developments in global investment markets. We also provide some information on how you and your staff should approach the current volatility in these markets.

We introduce you to Nick Sherry, Australia's first ever government minister for superannuation and, with the end of the financial year fast approaching, we again discuss the Government's Super Co-contribution scheme.

As usual, you will also find an update on FuturePlus Super's investment performance.

Remember that we can help you with superannuation, insurance, financial planning and home loans. If you need assistance with any of these services, please contact the Employer Helpline on **1800 636 441**. If your employees have any enquiries, they can contact Member Services on **1800 067 059**.

## A reminder about Tax File Numbers

From 1 July 2007, you are required to pass on the Tax File Number (TFN) of any new employees to us within 14 days of their start of employment.

According to the Australian Tax Office, it is now an offence not to provide an employee's TFN within the required timeframe. If you do not pass on your employees' TFN:

- You will be guilty of an offence and liable to pay a penalty;
- Your employees may have to pay extra tax (possibly 31.5% more) on the contributions;
- FuturePlus Super won't be able to accept personal contributions from your employee; and
- Your employee may miss out on Super Co-contribution payments.

The maximum penalty that can be imposed is 10 penalty units (currently \$1,100). However, the courts may increase the maximum penalty payable by a body corporate to 50 penalty units (currently \$5,500).

The maximum penalty applies for each employee, so if an employer fails to report five TFNs to FuturePlus Super, five penalties can apply.

## Investment market update

Few could have predicted that bad weather in a small part of the US housing market would gather so much momentum and blow such ill winds across global financial markets.

It all started in the middle of last year when it emerged that pockets of lower income Americans who had been advanced subprime mortgage loans were unable to re-pay these. Since then it has escalated into a full-blown global liquidity crunch and is likely to thrust the US economy into a recession.

The market became extremely jittery when the news broke. No one knew how deep the subprime lending problem ran and who would be hurt next. This uncertainty led to a credit crunch where lenders were afraid to part with their money, making it harder and more costly for companies to borrow.

Some companies, especially those which already had high borrowings, suddenly found that the taps had been turned off on their loans. Others found that the costs of funding their businesses were now much higher.

Part of the fallout was due to the fact that some institutions had become increasingly sophisticated at wrapping up debt and parceling it in complicated ways that may have disguised the underlying risks. This led to a renewed look at, and a re-pricing of, risks.

As a result, share markets bounced around nervously during the last six months of 2007. Since December, however, they have dropped sharply as more banks (and other companies) have notified the market of their losses and on the belief that there's still plenty of bad news to come.

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At the same time, investors have become jittery about the prospects of the world's biggest economy, the US. At first they worried that it was heading into recession. These days, however, they debate how bad and prolonged a recession it will be and how it will affect other economies.

These conditions have started to rub off on Australian companies. Debt is now more expensive to obtain and the Australian dollar has recently been surging to new highs, hurting those companies who export or have operations overseas.

While the Federal Reserve has been lowering interest rates in the US, the Reserve Bank of Australia has been raising rates as part of its war against inflation. Inflation has been edging up as a result of the buoyant economic growth we've enjoyed in recent years.

Economists still insist that the fundamentals of the Australian economy are, and will remain, sound - despite the problems in the US. Although Australia is still likely to be hurt by any problems in the US, the country is far less dependent on the US than it used to be. That's because it has increasingly become reliant on Asian economies, many of which are still surging ahead.

China's economy, for example, isn't forecast to run out of steam after the Beijing Olympics end in September. Its economy is

being fuelled by massive urbanisation which continues to create huge demand for infrastructure, housing and materials, which then creates demand for the resources Australia produces.

In addition, world markets have taken some comfort from coordinated and repeated moves made by central banks around the world to ease the pains caused by the fallout from the US subprime crisis.

In March, for example, the US Federal Reserve and four other central banks teamed up to channel billions of dollars in fresh funds to cash-starved credit markets, allowing financial firms to use securities backed by home mortgages as collateral for central bank loans.

Nonetheless, Australian companies are still feeling the impact of the global turmoil as the recent interim reporting season revealed. Overall, companies still showed earnings growth, but many are tracking below forecasts. And, while most analysts still expect company earnings to grow, they expect the growth rate to slow this year.

So if these analysts are right and if the turmoil in world markets doesn't get worse, then Australian stocks could be in for a somewhat sluggish year as company profits underpin the performance of the share market.

## Choosing the right super fund

It's always important to ensure that your employees are in a good super fund that meets their needs and this is critical when times are tough.

Markets are cyclical and returns do rise and fall. When they fall, account balances can be further eroded by costs and charges. Over a long period, this can really mount up and make a huge difference to the amount a person accumulates to retire on.

Fortunately, the charges that FuturePlus Super members pay are competitive and they also don't pay some of the fees that other funds may charge, such as entry, exit or switching fees.

FuturePlus Super is also part of a much larger financial services group which looks after the needs of 150,000 members and has assets of close to \$10 billion in funds under management.

A key benefit of this is that FuturePlus Super enjoys the economies of scale and enhanced bargaining power that it wouldn't otherwise be able to achieve. This scale allows us to negotiate a range of highly competitive life and other insurance deals for you and your employees which would be extremely hard to match on your own.

That's why we can also provide members with a wide range of services, such as unlimited access to fully qualified financial planners at no extra direct cost.

We have also worked hard to bring these services close to you and members. It now has seven branches spread across NSW and the staff in each office are available to answer any questions members have about super or any of the services we offer.

We can also run wealth planning and pre-retirement seminars at your worksite on request, or members can attend a seminar at a local venue so that family and friends can come along too.

You and your staff can also call our contact centre during work hours with any questions about super and we have a website with up-to-date information, as well as tools and calculators, to help members make investment decisions.



FuturePlus Super has also put much effort into helping you and your staff cut costs on other expenses. It offers you access to low cost home loans and, through the Fair Go program, discounts on a wide range of services such as medical insurance, phone contracts, travel, accommodation and entertainment.

For more on FuturePlus Super's many benefits please visit the website at [www.futureplussuper.com.au](http://www.futureplussuper.com.au)

# Managing questions from staff in tough investment markets

The recent events in global investments are enough to unnerve even the most seasoned investors, so it won't be surprising if your employees start raising concerns about their super.

It's important to remember that only qualified financial planners are able to provide financial advice and, by law, you should not be providing any specific advice to staff. But there are some basic rules that are worth remembering.

Firstly, it's important not to panic. This could lead to actions that one might regret later.

Secondly, it's important to remember that super is a long-term investment. Stock markets have enjoyed a spectacular run over the past four years and were, perhaps, due for a correction. Investment markets are cyclical. In other words, they go up and they go down. Fortunately, however, they've risen more than they've fallen, especially over the longer term. What's more, in the past they've always come back after a share market crash.

Thirdly, it's vital not to try to pick market cycles because investors rarely get the timing right. So, to rush off now and sell shares at their current lower prices to avoid further losses might prove to be bad market timing. That is, it may mean selling out just as share prices are about to pick up, making it harder to get back into the market in the future. In fact, some investors view a slump as a good opportunity to put more money into the share market.

At times like these, it's a good idea to take a step back and look at the fundamentals underpinning the market. Market experts believe that both local companies and the Australian economy are still in good shape and with Asian economies still growing, that Australia's prospects remain sound. Governments around the world are also taking steps to ease the pains caused by the fallout from the US subprime crisis.

The experts say that this is a good time to remember a key investment strategy which is diversification. Basically, it means not having all your eggs in one basket. If one asset class is yielding negative returns another may be in positive territory, smoothing out your returns.

The experts also agree that while there may be short-term dips in market returns, most carefully selected and age-appropriate strategies work well for investors over the long-term.



That's why it is important for any of your staff asking questions to remember why they selected their investment strategy in the first place. They might have chosen it for a number of reasons, such as:

- To meet their financial goals;
- Because of the number of years they have left until retirement;
- Because of their level of risk tolerance;
- To diversify their investments and spread risk; or
- Because it's generally the right strategy for their life stage.

If their reasons have changed, then maybe they should re-examine their portfolio mix. If their reasons haven't changed, perhaps it's best to sit tight even if the ride is a bit bumpy.

However, if they do feel uncomfortable with this approach, or believe that this is a good time to review their investment portfolio, please encourage anyone with questions to call the Member Services team on **1800 067 059**.

## Superannuation lump sums paid to the terminally ill

The Rudd Government has made effective from 1 July 2007 that lump sum superannuation benefits paid to members with a terminal illness will be exempt from tax. Please note that the superannuation trustee will require medical evidence of terminal illness.



## Don't forget about the Super Co-contribution scheme

With the end of the financial year fast approaching, it's a good time to remind your employees about the Government's Super Co-contribution scheme.

The scheme has been highly popular since it was introduced in July 2003 with the aim to help low and middle income earners boost their retirement savings. The Government recently announced that it had already paid out over \$1 billion in Co-contributions this financial year.

To be eligible to receive the Co-contribution in the next financial year, your staff must make an after-tax personal super contribution of up to \$1,000 by 30 June 2008.

Employees on an income of \$28,980 or less will receive the maximum Co-contribution payment of \$1.50 for every \$1 of after-tax contributions they make. The amount paid steadily reduces on incomes over \$28,980 and stops after the income level tops \$58,980.

To qualify, members need to pay the contribution directly into their superannuation account.



They must also be a permanent resident of Australia and younger than 71 years of age by the end of June.

To make an additional contribution, members can obtain the 'Optional contributions' form at [www.futureplussuper.com.au](http://www.futureplussuper.com.au)

## New government sees super a key priority



For the first time ever, Australia has a minister responsible for super, a sign of just how important promoting retirement savings is to the new Labor government. The new minister, Nick Sherry, has already made some announcements in this arena.

One of his first moves on taking office has been to announce a probe into the practices of self-managed superannuation funds (SMSFs). It will look at the level of governance in these funds and at whether aggressive marketing is being used to push some Australians into these funds even though they may be unaware of the large risks, responsibilities and costs involved.

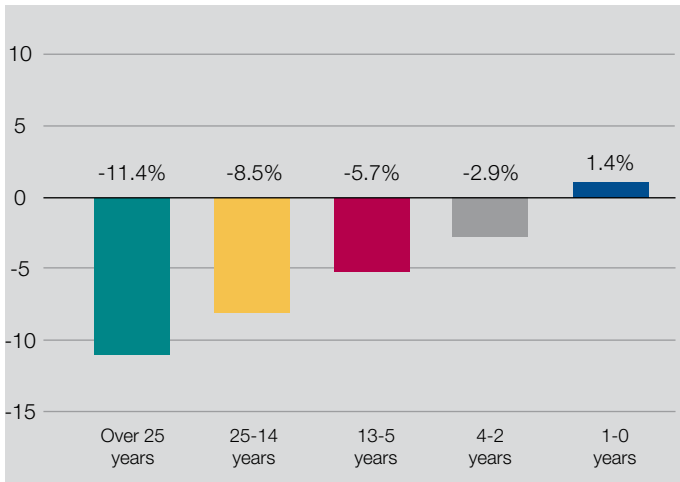
More recently, he also established a Superannuation Advisory Group, made up of academics and well known names in the superannuation industry, to act as a sounding board on superannuation matters.

Together with Finance Minister, Lindsay Tanner, Mr Sherry has also formed the Financial Services Working Group which will identify ways in which simpler and more readable financial information can be delivered to consumers. A key target will be the lengthy, complex product disclosure documents that super funds are obliged to compile for their members.

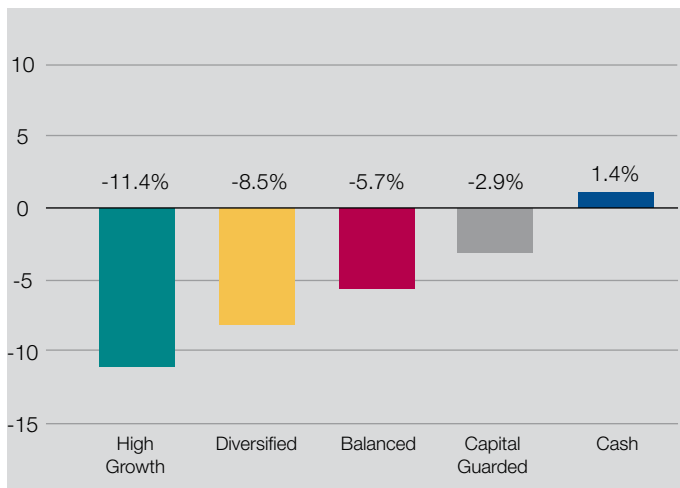
# Performance

For the quarter ending 31 March 2008

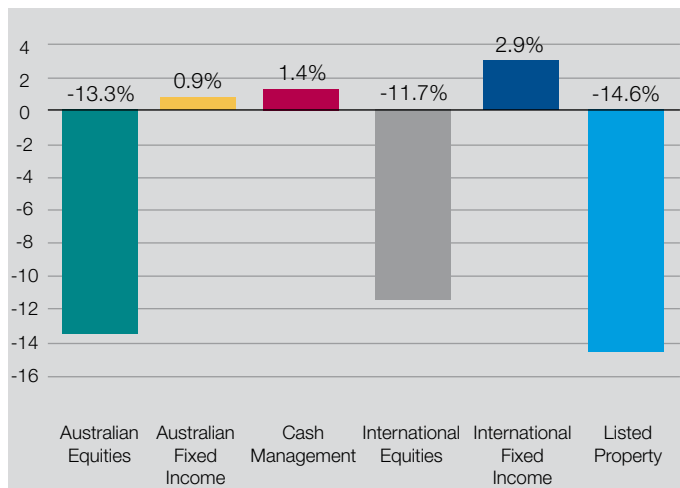
## LifeCycle Objective Management Program By number of years to retirement



## Management Portfolio Program Strategy returns



## Management Choice Program Investment Pool Returns



All returns are shown to one decimal place.

# Quarterly Superannuation Guarantee contributions

All employers under the Superannuation Guarantee (SG) scheme must contribute the minimum level of 9% of each eligible employee's earning base in super support for each financial year. Currently, your employees' earning base is generally their ordinary times earnings (OTE), but from 1 July 2008 OTE should always be used.

The Australian Taxation Office (ATO) imposes penalties if SG contributions are not made by the quarterly cut-off date.

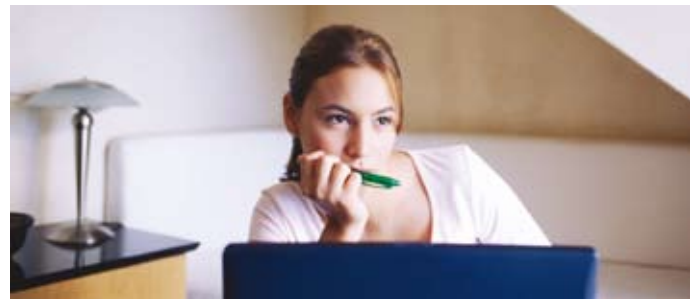
If, as an employer, you fail to make the cut-off date you may need to lodge an SG statement and pay the SG charge which is not tax deductible. However, since 1 January 2006, contributions received by the Fund within 30 days of the SG due date can be used to offset any penalty the employer may incur. Employees will still receive their full super shortfall plus interest. Previously, employers who made late contributions could not use these to offset the liability with the ATO.

Making timely SG payments each quarter will allow you to maximise the tax deduction available for super payments.

The following table obtained from the ATO lists the cut-off and lodgement dates.

Superannuation Guarantee quarter ended	Cut-off date for superannuation Guarantee contributions	Due date for lodgement of an SG statement and payment of the SG charge if contributions are not made on time
1 July - 30 Sept	28 October	28 November
1 Oct - 31 Dec	28 January	28 February
1 Jan - 31 March	28 April	28 May
1 April - 30 June	28 July	28 August

## What's available on our website?



Are you making the most of what's available on the Employer Section of FuturePlus Super's website? It has plenty to offer and is aimed at keeping you up-to-date with the latest developments and your obligations when it comes to your employees' superannuation.

On the site, you'll find updates on changes and superannuation legislation, as well as a range of forms you need - for example, when making contributions or to let us know that a member has left your employ. You'll also find plenty of information on choice of superannuation fund and previous editions of the Employer Newsletter.



## Contribution Return emails

All Contribution Return emails should be sent to the administrator of FuturePlus Super at the following email address: [employeronline@futureplussuper.com.au](mailto:employeronline@futureplussuper.com.au)



Please use our standard Employer Contribution Return spreadsheet for contributions and new members, as this includes all the necessary details we require to process contributions correctly and efficiently.

This spreadsheet can be found in the Employer section of our website at [www.futureplussuper.com.au](http://www.futureplussuper.com.au)

To assist with correctly matching EFT payments with data files, please quote your Employer Reporting Centre Code or, where not known, the employer name (shortened if necessary) as a reference on EFT files.

## FuturePlus Super seminars



We regularly hold seminars for members at no additional direct cost. Members can reserve a seat at an upcoming Wealth Creation or Pre-Retirement Planning seminar by calling **1800 067 059**. Alternatively, bookings can be made via email: [info@futureplussuper.com.au](mailto:info@futureplussuper.com.au)

We can also run seminars on your site, or close by, if there's enough interest. If you'd like to organise a seminar, please contact the Employer Helpline on **1800 636 441**.



Pictured: Wagga Wagga Office

## We have branches at:

<b>Sydney:</b>	28 Margaret Street
<b>Lismore:</b>	81-83 Molesworth Street
<b>Newcastle:</b>	161 King Street
<b>Orange:</b>	187 Summer Street
<b>Parramatta:</b>	10-14 Smith Street
<b>Wollongong:</b>	Shop 2 & 3, 60 Burelli Street
<b>Wagga Wagga:</b>	2/209 Baylis Street
<b>Albury*:</b>	621 Dean Street

\* Bookings are essential

**Call Member Services on 1800 067 059 to make an appointment**

Employer Helpline: 1800 636 441  
 Member Helpline: 1800 067 059  
 Employer Fax: (02) 9299 9321  
 Member Fax: (02) 9279 4131  
 Website: [www.futureplussuper.com.au](http://www.futureplussuper.com.au)  
 Email: [employerservices@futureplussuper.com.au](mailto:employerservices@futureplussuper.com.au) (general employer queries)  
 Email: [employeronline@futureplussuper.com.au](mailto:employeronline@futureplussuper.com.au) (contribution files and changes)

Address: Ground Floor  
 28 Margaret Street  
 Sydney  
 Write: PO Box N835  
 Grosvenor Place  
 Sydney, NSW 1220



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