

focus

Issue: Summer 2007

Welcome to the latest edition of Focus, our first for 2007

It is the beginning of a new year and, with many of us in holiday mode, no doubt our thoughts are on being with our family and friends.

Traditionally, this is a happy time of year, and with expectations that 2007 will be filled with success and good health. The lead-up to Christmas is often a time of big spending. With interest rates on the rise, some people's credit cards will be 'maxed out'.

Yet, with the right advice and planning, all of us have a better chance of avoiding some of the debt traps and securing a stronger financial future.

In this issue, we focus on superannuation, particularly the benefits of having one super account.

Plus we report the findings of a recent survey of Australians aged under 40, which shows a high percentage of women do not contribute extra dollars into their super and acknowledge they have inadequate savings for retirement.

So, while this is a time to reflect on the good times, it's also a perfect time to plan ahead and get your finances in order for 2007.

If you would like more information on any of the topics in this newsletter, or any other financial advice, please feel free to contact us at any time.

Save to spend with super-charged Budget changes

Move quickly and you could make use of the best Government handout you'll see in a long time – a tax-effective savings scheme that gives you tax-free payout.

What's the catch?

You need to start now. And you can't access the money tax-free until you're 60.

However, the proposed changes to superannuation savings in the May Budget could add real muscle to your future savings and your future lifestyle.

The Government's proposal would allow the over-60s to withdraw their pre-taxed super as a tax-free lump sum to spend

as they wish, or even better, a tax free income stream where even the investment earnings are tax free.

Pay off the house, take that overseas trip, update the car, anything is possible when you're past 60 and you have the super to spend and now it will cost even less, because you will pay no tax.

The message from Canberra is obvious – boost your super as much as you can and as soon as you can. The changes are only as good as the use you put them to.

Contact your financial planner to discuss your individual circumstances.

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Words of Wisdom

All our dreams can come true, if we have the courage to pursue them.

Walt Disney



BRIDGEPORT

Level 2, 34-36 Chandos St S1 Leonards NSW 2065
Tel: 02 9478 5200 Fax: 02 9478 5299 www.bridgeport.com.au

KOOPS MARTIN

FINANCIAL SERVICES

Level 2, 144-148 West High Street Coffs Harbour NSW 2450
Tel: 02 6656 8000 Fax: 02 6651 2567 www.koopsmartin.com.au

Bridgeport Advisers Pty Limited
Australian Financial Services Licence 240 294
ABN 42 003 576 903



The benefits of bringing your superannuation accounts together

Did you know that Australians currently have nearly 30 million superannuation accounts? This equates to 3 superannuation accounts for every working Australian. This figure is predicted to grow by more than 1 million accounts per year to 50 million accounts by 2020 (APPRA Annual Superannuation Bulletin, 2005).

This is hardly surprising given the high level of casual employment and the fact that on average people may have had several jobs in their lifetime, resulting in the accumulation of several superannuation accounts and an estimated \$1 billion each year on duplicate fees ('Superannuation Fees & Competition', Investments & Financial

Services Association (IFSA), 2002).

If you have superannuation in more than one fund you may be receiving several statements and reports each year, and more importantly you may be charged several administration fees, that will eat into your retirement benefit.

It makes sense to consolidate your superannuation into one account because you will pay one fee rather than multiple fees. Benefits include less paperwork and greater clarity in relation to how much superannuation you have accumulated: enabling you to take greater financial control of your investments and retirement planning.

How to bring your superannuation together

Step 1

Look for recent statements from funds where you have been a member and obtain their contact details. If you cannot locate these statements, call your previous employer(s) to confirm which fund they contributed to. If you are unable to contact your previous employers refer to the section below for useful tips on tracking down lost superannuation.

Hints

Make a new year's resolution.

As another year ticks over, organise a time to see your financial planner to plan for the year ahead.

The ultimate sacrifice. Making pre-tax income contributions into super is highly tax effective and can ultimately increase your superannuation balance substantially. Ask your accountant or financial adviser for more information.



Hint

Super ideas. It's beneficial to check your superannuation return for the last financial year and seek advice on whether your investment strategies are maximised and properly geared to your needs.

Step 2

Contact the funds you have identified directly and advise that you want to transfer your funds to another fund. They will send you a 'Transfer form' to give them authority to transfer the funds to your nominated fund. Complete this form, sign and return it.

Step 3

You should receive confirmation that the transfer has taken place. The transferred amount will appear in the next statement of your new fund.

Be aware that some funds may charge exit fees, though the benefit of cutting back on multiple administration fees should generally compensate for this. In addition, it's important to point out that if you have insurance cover with the fund you are transferring from, this cover will cease once you close your account and roll your money into your nominated fund.

However, your nominated fund may have suitable insurances which you may be able to top up.

Lost your superannuation?

Do you think you have superannuation somewhere, but are not sure where it is? Don't worry, all is not lost.

Currently there are several methods available for individuals to locate their lost superannuation.



1. Search the Australian Tax Office (ATO) Superseeker database via www.ato.gov.au or call 13 28 65. Superseeker searches several ATO databases such as the Superannuation Holding Account Reserve (SHAR) and any unclaimed superannuation guarantee vouchers in an individual's name. You will need to provide your name, date of birth and Tax File Number (TFN) to complete the search.
2. Search the Ausfund database via www.unclaimedsuperannuation.com.au or call 1300 361 798.
3. Search Australian Securities and Investment Commission (ASIC) Unclaimed Monies Search via: www.fido.asic.gov.au
4. Search the registers of Industry Superannuation Funds by asking the relevant Industry Fund to conduct a search for any accounts that could be in your name.
5. Search the Unclaimed Money Register in each state or territory.
6. Contact your previous employers and ask them which superannuation fund your contributions were made to.

More pro-active action by the ATO to reunite people with their lost super has been proposed by the Federal Budget, 9 May 2006.

If you would like more information about consolidating your superannuation into one account, please contact us.

Hint

Easing on out. The introduction of transition to retirement means it's possible to start drawing on your super once you reach preservation age (currently 55) and still keep working part-time. It's definitely worth considering.

Women Face Super Saving Shortfall

The ideology of saving more towards our retirement is now well entrenched, with recent Government measures aimed at helping all of us build a bigger pool of capital that can be drawn down upon once we stop working.

Yet, a national poll of under 40s released in July found a high percentage of women acknowledge their savings towards retirement are insufficient and unlikely to give them an adequate level of retirement income.

Commissioned by Finsia, which was formed from the merger of the Securities Institute of Australia and the Australasian Institute of Banking and Finance, the survey showed 69% of women do not contribute extra income into their super and 52% concede their super savings won't allow them to reach an adequate level of income in retirement.

The women surveyed said they were more likely to consider that they would work in some paid capacity in retirement (57%), and 63% of women expected to be not employed for a period before retirement but did not know how they would contribute to their retirement savings during this period (only 15% nominated their spouse as a fall-back plan).

Recognising the need for planning

The survey, involving 600 Australians aged 25-44, found that women were significantly more likely to consider retirement planning important (at 84% compared to men at 80%), and were less likely to consider they would be a fully self-funded retiree.



They were also more likely to consider they would be a combination of self-funded retiree and a government pensioner (43% compared to men at 39%).

A good way to save

At the same time, another survey commissioned by Finsia found that by adding an extra 3% contribution to the compulsory 9% superannuation guarantee levy would significantly improve individual retirement savings.

For participating contributors on average income, this represents a 33% boost to their final retirement benefit.

The survey found that Australia's under-40s overwhelmingly support increasing the compulsory superannuation rate of 9% and would welcome compulsory employee contributions of 3-5 % on top of the 9%.

The women surveyed expressed a high preference for superannuation and agreed that "superannuation is a good way to make me save" (at 82%).

Hint

Healthy habits. Take care of your health over the holiday period and make sure you have appropriate cover to provide financial support for a range of conditions.

The same percentage agreed that compulsory superannuation was forced savings and barely noticed the deductions.

Overall, the women surveyed believe they would need less dollars in retirement than men, with women significantly more likely to consider they'll need less than \$500 a week (at 67% compared to men at 59%), while men were significantly more likely to consider they would need more than \$500 a week (at 40%, compared to women at 28%).

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