



FIRST STATE SUPER

FSS Trustee Corporation  
ABN 11 118 202 672 AFSL 293340

# What's the role of super in my wealth creation plan?



Send us your email  
address...you could

**WIN AN  
iPHONE!**

*see inside for details*

# SUPER NEWS

For First State Super members  
Issue 12, March 2010

# Contents

CEO's message	3
How much super do I need?	4
Super vs non super... what's the verdict?	6
Current developments	7
Market update	8
Win an apple iPhone in our email competition	9
A fund for family and friends	10
How has your super performed?	11
Contact details	Back page



**Five apples** – highest quality fund rating by Chant West\*

**AAA** – exceptional quality super fund rating by SelectingSuper\*

**Platinum** – the best value for money funds by SuperRatings\*

**\*Source**

Chant West Pty Limited, ABN 75 077 595 316 [www.chantwest.com.au](http://www.chantwest.com.au)

SelectingSuper, a company of Rainmaker Information Pty Limited  
ABN 86 095 610 996 [www.selectingsuper.com.au](http://www.selectingsuper.com.au)

SuperRatings Pty Ltd, ABN 95 100 192 283 [www.superratings.com.au](http://www.superratings.com.au)

**Important note:** This brochure contains general information only. Any advice it contains is general in nature and does not take into account your specific objectives, financial situation or needs. It is therefore important, before acting on any advice, that you consider the appropriateness of the advice having regard to your objectives, financial situation and needs. Further, before making any decisions in relation to your membership in First State Super you should consider the Product Disclosure Statement for the First State Super product you currently hold. Please call Customer Service or visit our website for a copy. FSS Trustee Corporation ABN 11 118 202 672, AFSL 293340 is the trustee of the First State Superannuation Scheme ABN 53 226 460 365.



# CEO's message

In the wake of the global financial crisis and lower super fund returns, it's not surprising that some people are reviewing the role that superannuation plays in their wealth creation plans.

With this in mind, it's timely to remind members about some of the advantages that super offers.

## Super offers tax benefits

Generally speaking, super is taxed at a lower rate than other forms of investment so it should be an important part – but by no means the only part – of your wealth creation plans. See “Super vs non-super” on page 6.

## Super is a key element in the government's retirement policy

The government might fine tune the taxation of super but in all likelihood, superannuation will continue to be the core of the government's retirement incomes policy, supported by the age pension and voluntary savings.

## Super offers related benefits

There are a number of other benefits that can come from being in a super fund which may include access to cost-effective insurance cover, financial advice and pension products.

And First State Super members have another important advantage – our fees are among the lowest in the industry\*... and we're committed to keeping them there.

## Keep up-to-date via email

More and more members are requesting information online. It's faster and more convenient, and there are obvious environmental benefits if we use less paper. So we are encouraging all members to provide or update their email address so, wherever possible, we can distribute our communication material online. See our email competition details on page 9.

We hope you enjoy this issue of SuperNews. Please feel free to give us a call or send us an email if you have any comments or questions.

**Michael Dwyer**  
CEO, First State Super

\* SelectingSuper, a company of Rainmaker Information Pty Limited ABN 86 095 610 996, describes the best fee deal for superannuation funds as the best overall fees payable, where overall fees are calculated for a member earning around \$50,000 pa and who has \$50,000 in their super fund's default investment option. It describes funds that you can join as a private individual. Research dated June 2009.

## Better conditions contribute to better fund performance

We support the outlook for a mild recovery during 2010, but we are maintaining a cautious investment approach. While there will be opportunities in share markets as part of any recovery, there are concerns about companies with big debt levels and their ability to arrange re-financing if this becomes necessary. Investment returns in 2009–10 should improve, but could be volatile as investment markets digest the strength and durability of the recovery. See our market update on page 8.

**Michael Dwyer**  
CEO, First State Super

# How much super do

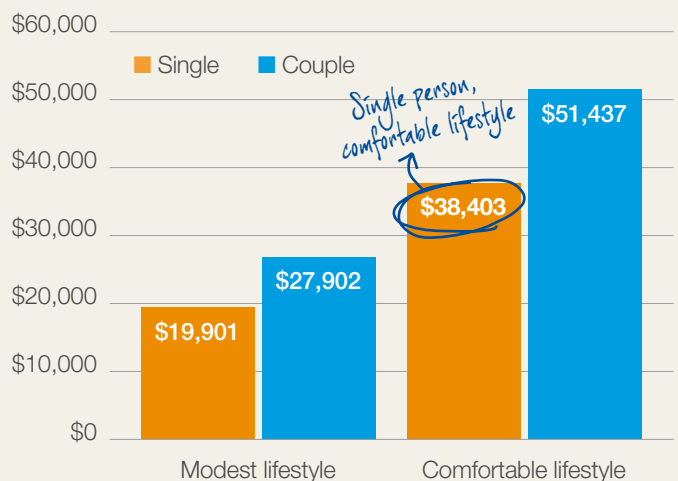
This is the key question facing not just people thinking about retirement, but anyone who has an interest in their super. And it's a question that can be answered in two parts.

QUESTION

1

## How much will you need each year in retirement?

The graph below shows the annual income that may be required to support 'modest' and 'comfortable' retirement lifestyles<sup>1</sup>.



QUESTION

2

## How much do you need to save?

It has been estimated that a single person will need around \$460,000 to produce the annual income of \$38,403 that is needed for a 'comfortable' lifestyle<sup>2</sup>.

That might seem like an awful lot of money, but your 9% super guarantee contributions give you a good head start. How much more you need on top of your super guarantee contributions varies greatly depending on your age when you start making the additional contributions.

See the example on the next page.

<sup>1</sup> Source: The Westpac – ASFA Retirement Standard September Quarter 2009 report. 'Modest' means better than the age pension, but only participating in fairly basic activities. 'Comfortable' provides for a broader range of leisure and recreational activities and a good standard of living through the purchase of such things as household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel. The report is available from the Association of Superannuation Funds of Australia Limited (ASFA) website at [www.superannuation.asn.au/RS/default.aspx](http://www.superannuation.asn.au/RS/default.aspx)

<sup>2</sup> Source: ASIC Super Decisions booklet January 2009 available on the ASIC/FIDO website at [www.fido.gov.au](http://www.fido.gov.au) under Publications and resources/Brochures and booklets.

# I need?

The table contains examples of the amount of **additional** super contributions – **over and above your 9% SG contributions** – needed to produce an account balance of around \$460,000 at age 65. And there's a big difference depending on your age when you start making additional contributions.

	Age member starts making additional contributions	Salary	Current super balance	Earnings rate (before tax)	Salary sacrifice contribution to reach target (in addition to 9% SG contributions)	Super account balance at age 65
Jennifer	25	\$50,000	\$10,000	8%	3% pa \$30 a week	\$455,000
Jason	35	\$50,000	\$20,000	8%	10% pa \$96 a week	\$464,000
Sarah	45	\$50,000	\$30,000	8%	25% pa \$240 a week	\$466,000

These examples have been calculated using the superannuation calculator on the FIDO (Australian Securities and Investments Commission) website. For assumption and limitations refer to [www.fido.gov.au/fido/fido.nsf/byHeadline/Brochures](http://www.fido.gov.au/fido/fido.nsf/byHeadline/Brochures) and click on the Super decisions booklet link.

These numbers are a guide only but they do demonstrate the advantage of **starting early**.

**Jennifer** starts making additional contributions at **age 25**. She's already accumulated \$10,000 in super and she only needs to supplement her 9% super guarantee (SG) contributions with salary sacrifice contributions of 3% a year to reach her retirement savings goal of around \$460,000.

**Jason** and **Sarah**, on the other hand, don't make additional contributions until they are **35 and 45 respectively**. While the numbers aren't precise, they give you a guide to the level of "catch up" contributions required to meet their saving goal.



The key message to take from this example is don't delay. It can be hard to catch up!

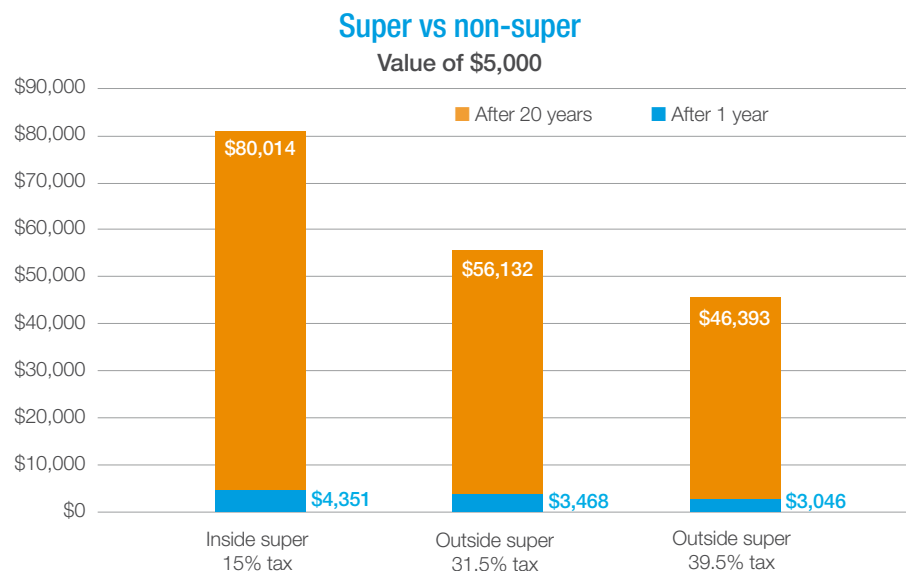
The information in this section is designed to give you a sense of how much money you may need to retire and whether you are on track. However, the figures are an example only and cannot accurately predict your retirement needs or your end super balance. These will depend on a range of factors including your personal circumstances and future economic conditions. Before making a decision about your super you should seek professional advice to determine a retirement plan that is appropriate for you.

# Super vs non-super... what's the verdict?

We keep hearing about the tax advantages that super has over non-super investments so we thought we'd put this to the test.

The graph shows the outcome of a salary sacrifice (pre-tax) contribution of \$5,000 compared to investing this amount outside super. We've shown two different tax rates (31.5% and 39.5%) for the non-super investment.

*Depending on the tax rates, super could give you around 70% more than non-super after 20 years...*



## And the verdict? Super!

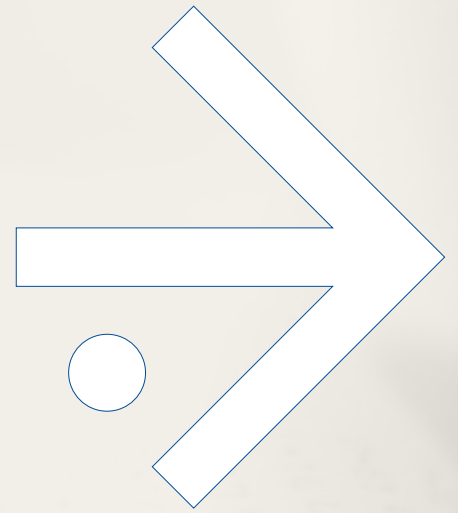
In this example, super could give you around 70% more than non-super after 20 years.

**Why?** Because the contributions and returns inside super are taxed at a maximum of 15% compared to salary and returns taxed at 31.5% and 39.5% outside super, which means the after tax returns of non-super investments are much lower.

### Notes

1. This example has been prepared by Mercer (Australia) Pty Ltd (Mercer) ABN 32 005 315 917.
2. The \$5,000 per annum contribution does not increase in the future.
3. A before tax return assumption of 7.2% has been used. After allowing for capital gains tax discounts and imputation credits, the average tax rate on investment returns in super is about 10%, and the net of tax investment return would be 6.5%. Investment returns outside super may be eligible for tax concessions such as concessional gains tax and franking credits, therefore Mercer has assumed that there would be a similar reduction in the average tax rate for investment returns outside super, i.e. Mercer has assumed the tax rates would be 26.5% (31.5% less 5%) and 34.5% (39.5% less 5%).
4. The "today's dollars" figures have been deflated using a salary inflation assumption of 4% p.a.

# Current developments



## Industry reviews ...

Three separate reviews of taxation, superannuation and financial services were undertaken in 2009. Here is a summary of the reviews' objectives:

### Henry Tax Review

#### Australia's Future Tax System

The Henry Tax Review is a comprehensive review of Australia's tax system. It will examine and make recommendations to create a tax structure that will position Australia to deal with demographic, social, economic and environmental challenges and enhance Australia's economic and social outcomes. The Government said it will consider the review and release it in early 2010.

### Cooper Review

#### Review into the Governance, Efficiency, Structure and Operation of Australia's Superannuation System

The Government has set up the Super System Review (also known as the Cooper Review) to examine and analyse the governance, efficiency, structure and operation of Australia's superannuation system. The review is focused on outcomes that are in the best interests of members, maximise retirement incomes, improve the regulation of the superannuation system, and reduce business costs within the system.

### Ripoll Review

#### Parliamentary Joint Committee on Corporations and Financial Services Inquiry

This inquiry looked into the role played by financial advisers, the state of the general regulatory environment, the role of remuneration models such as commissions, the role of marketing and advertising of financial products and services, the licensing arrangements for those selling and marketing financial products and services, and consumer protection and insurance matters.

## Updates from the Fund

### New benchmark for international fixed interest

The performance of the International Fixed Interest single asset class option was previously measured against the JP Morgan World Government Bond Index, as noted in our PDS of 1 July 2009. As of 9 December 2009, this investment option is now measured against the Barclays Capital Global Aggregate Bond Index.

### Lost members

#### Benefits paid to the Australian Taxation Office

Under new legislation (effective 1 July 2010) we will be required to send your super to the ATO if you are a lost member and either your account balance is less than \$200 or your account has been inactive for a period of at least five years and we are satisfied that it will never be possible to pay you. Under the legislation, you may be a lost member if we have never had a postal address for you, or we have received two pieces of returned mail from your last known address.

# Market update

## The signs of recovery are there

After a deep global recession that began in 2007, economic growth has turned positive, at least partly in response to government intervention and spending that has supported demand and lowered uncertainty and risk in markets.

But the recovery is expected to be slow as financial systems remain weak and emergency levels of government spending are withdrawn.

The global economy appears to be expanding again, propped up by the strong performance of the Asian economies and more stable conditions and even modest recovery elsewhere. Looking ahead, the policy forces that are driving the current rebound are expected to gradually lose strength as governments around the world tighten the purse strings. Also, consumption and investment are only slowly improving as financial conditions remain tight in many economies.

So after a contraction of around 1% in 2009, global activity is forecast to expand to about 3% in 2010\*, which is a big improvement on the previous year but well below the growth rates achieved before the crisis.

Despite the positive economic news, global markets are still nervous. The recent debt deferral in Dubai and similar signals in Greece suggest that the significant levels of government debt will be an issue for some time to come.

### And in Australia... better news for super funds but caution prevails

Super funds on the whole have posted excellent returns since their March 2009 lows as share markets around the world have continued to strengthen. Roughly speaking, "balanced" investment options hold around a third or more of their money in shares or property so the better performance of share markets since March has helped this performance.

But the recovery is fragmented. Many overseas economies are recovering more slowly than Australia and this, together with the implications of the rising Australian dollar, is an important consideration, particularly for any fund investing offshore.

While we support the outlook for a mild recovery during 2010, we are maintaining a cautious investment approach. We are keeping our investment portfolios very liquid, which means holding reasonably high levels of cash. This gives our investments some degree of protection from adverse market movements and avoids the possibility of having to make forced asset sales at less than satisfactory prices. It also allows us to respond to investment opportunities that might arise as part of any recovery.

Local cash rates are still at relatively low levels but they are rising. Fixed income assets such as government bonds have helped us through the crisis, but in an environment of rising rates, the risk of holding fixed income assets rises. (When interest rates rise, the market value of fixed income investments tends to fall.) There will be opportunities in share markets as part of any recovery, but there are concerns around companies with big debt levels and their ability to arrange re-financing if this becomes necessary, which could contribute to short term market volatility.

### The conclusion

Investment returns in 2009–10 should improve, but we will continue to proceed with caution as investment markets digest the strength and durability of the recovery.

\* Source: International Monetary Fund Survey Magazine: IMF Research article titled *World Economic Outlook Global Recovery Under Way but Likely to Be Slow*, Says IMF dated 1 October 2009.

[www.imf.org/external/pubs/ft/survey/so/2009/res100109a.htm](http://www.imf.org/external/pubs/ft/survey/so/2009/res100109a.htm)

...we will continue to proceed with caution as investment markets digest the strength and durability of the recovery.



# Win an apple iPhone in our email competition



More and more members are requesting information online. Not only is it faster and more convenient, but there are obvious environmental benefits if we use less paper.

With this in mind, we are encouraging all members to provide or update their **email address** so, wherever possible (and providing you agree), we can distribute our communication material online.

## Win an apple iPhone 3GS

To be in the running for an apple iPhone 3GS (16GB), all you have to do is provide your email address or update the email address we currently hold with your new email address. If we already hold your preferred email address, you won't be able to enter the competition but you can look forward to receiving regular updates from the Fund.

## How to enter

Step 1

Visit [www.firststatesuper.com.au](http://www.firststatesuper.com.au) and click on the *Win an iPhone* link

Step 2

Check out the *Terms & Conditions*

Step 3

Click on *Member Account Login* and fill in your details  
OR  
Call Customer Service on **1300 650 873** to provide or update your email address

# A fund for family and friends

One of the best things about First State Super is that your family members, friends and partners can join the fund.

To make the joining process as easy as possible, we've taken a number of initiatives:



Set up a dedicated new member "family and friends" hotline **1800 422 889**



Put a special page on our website just for new member enquiries **[www.firststatesuper.com.au/newmember](http://www.firststatesuper.com.au/newmember)**



Set up a special email address so potential new members can get quick answers to any questions they might have **[newmember@firststatesuper.com.au](mailto:newmember@firststatesuper.com.au)**

Before deciding whether to become a member of First State Super, your family member, friend or partner should seek professional advice to see if this product is appropriate for them. They should also consider the Product Disclosure Statement relevant for their membership, available from the issuer, FSS Trustee Corporation, by visiting the website **[www.firststatesuper.com.au](http://www.firststatesuper.com.au)** or by calling **1300 650 873**.

*Anyone can join!*



# How has your super performed?

Compound average effective earning rates for the period ending 31 December 2009<sup>1</sup>

Investment option	Annual return to 31 December 2009 %	2 year average return % pa	3 year average return % pa	5 year average return % pa	7 year average return % pa	10 year average return % pa	Average return since commencement <sup>2</sup> % pa	Date investment option commenced
<b>Pre-mixed options</b>								
High Growth	14.9	-6.4	-2.0	5.0	7.6	4.8	N/A	1/7/1994
Diversified	12.2	-3.6	-0.1	5.2	7.3	5.4	N/A	8/12/1992
Balanced	9.6	-0.8	1.6	5.3	6.8	5.7	N/A	1/7/1994
Capital Guarded	6.9	2.0	3.3	5.3	6.2	5.8	N/A	8/12/1992
<b>Single asset class options</b>								
Australian Equities	32.8	-4.8	1.9	Note 2	Note 2	Note 2	3.3	17/10/2006
Australian Socially Responsible Equities <sup>3</sup>	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3	Note 3	1/5/2009
International Equities	6.2	-12.5	-8.9	Note 2	Note 2	Note 2	-7.5	17/10/2006
Property	-1.4	-12.0	-7.9	Note 2	Note 2	Note 2	-5.1	17/10/2006
Australian Fixed Interest	1.5	6.8	5.5	Note 2	Note 2	Note 2	5.4	17/10/2006
International Fixed Interest	4.3	5.2	5.2	Note 2	Note 2	Note 2	5.0	17/10/2006
Cash <sup>4</sup>	3.0	4.7	5.0	5.0	4.8	5.0	N/A	8/12/1992



**Like more information?**

Visit the web [www.firststatesuper.com.au](http://www.firststatesuper.com.au) for the latest investment performance and daily unit prices. Our investment commentary is updated monthly.

1. The returns set out in the table (except the annual return to 31 December 2009) are compound average returns after allowance for tax and investment management expenses, but before deduction of administration fees (which are \$52 per year) from members' account balances. All rates of return in the table are those achieved by the underlying investments of the particular investment option, and are not the returns for your investment. Your individual rate of return depends on a number of matters such as fees and costs, the timing of transactions, any switches you have made and the actual mix of options that makes up your account. These returns are based on the market prices and values of the Fund's assets as at 31 December

2009 whereas the transactions set out in your member statement are based on daily unit prices, which are calculated using the available market prices and values. Accordingly, there may be some differences in the asset valuations used for each purpose.

2. Where the investment option has been in operation for less than 10 years, an average annual return for the period from the commencement of the option is shown. This return is calculated from the beginning of the calendar month after the investment option commenced. For example, for the investment options that commenced on 17/10/2006, the return from commencement shows the return from 1/11/2006.

3. The Australian Socially Responsible Equities option commenced on 1 May 2009 and returns for this option are only available for the seven months to 31 December 2009. The return for this period is 24.3%. Due to the limited period for which the return is available, it is not appropriate to show an average annual return for this option.

4. The Cash investment option was called Cash Plus until October 2006, when the name was changed to reflect a small adjustment to the asset allocation. Previously, the asset allocation for the Cash Plus investment option was 100% cash and short-term income-producing assets, including 15% invested in one or two-year bonds. This was changed to be 100% cash and short-term income-producing assets with a portfolio duration of up to one year.

# First State Super contact details

<b>Customer service</b>	<b>Phone: 1300 650 873</b> 8.30am to 5.30pm (AEST) Monday to Friday for the cost of a local call (except from a mobile or pay phone).
<b>Postal address</b>	First State Super PO Box 1229, Wollongong, NSW 2500
<b>Website</b>	<a href="http://www.firststatesuper.com.au">www.firststatesuper.com.au</a>
<b>Email</b>	<a href="mailto:enquiries@firststatesuper.com.au">enquiries@firststatesuper.com.au</a>

Visit the website [www.firststatesuper.com.au](http://www.firststatesuper.com.au)

## Your personal account details

- See your investment strategy
- Check your transactions and account balance
- Check your level of death and disablement insurance
- Change your address and phone details
- Confirm you have sent your tax file number
- View your benefit statement

## Investments

- Unit prices
- Monthly and yearly member returns
- Investment market review

## Information

- What's new at First State Super
- Fact sheets
- Newsletters
- Brochures and forms



[www.firststatesuper.com.au](http://www.firststatesuper.com.au)