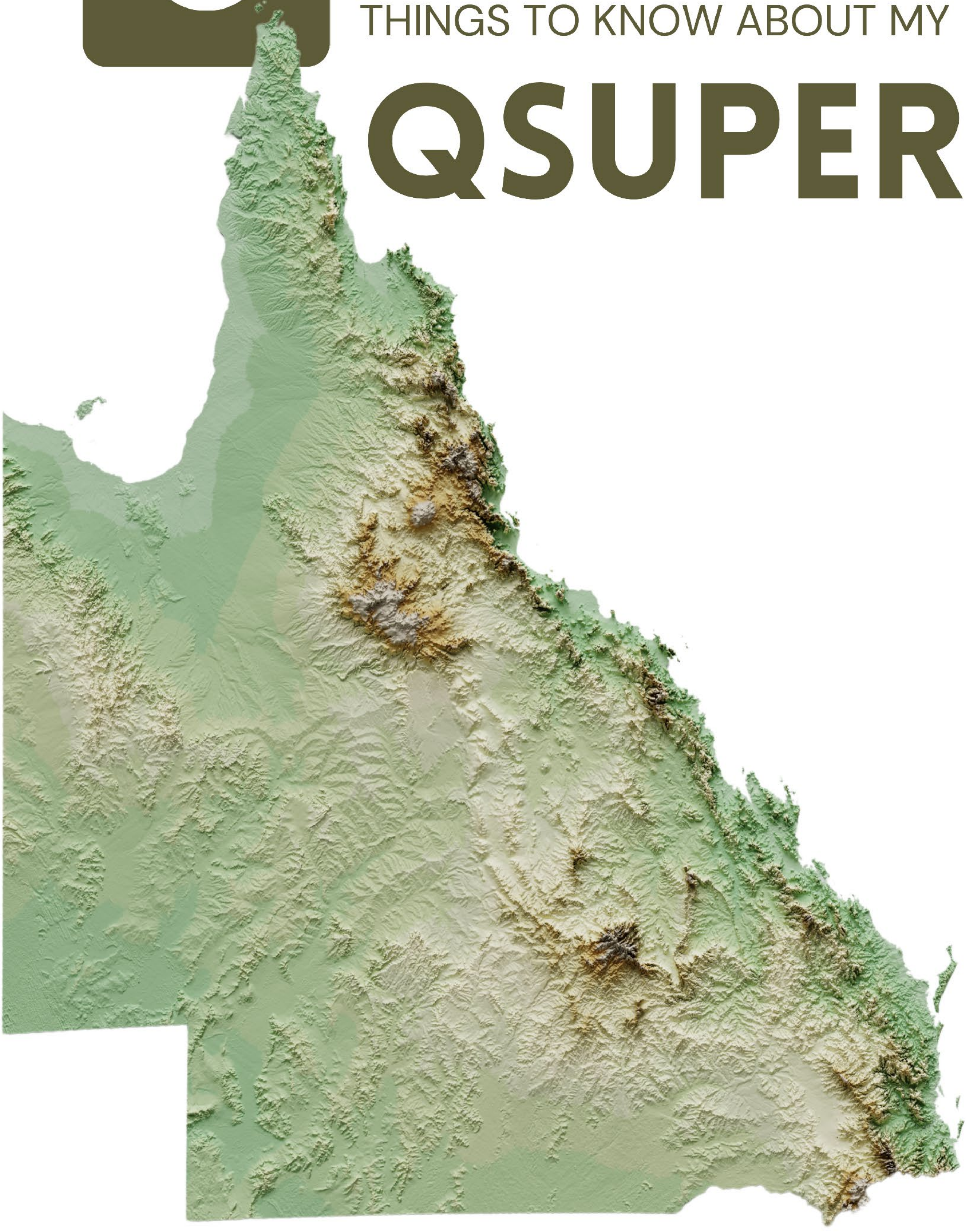
WealthAdviser

8 MOST IMPORTANT THINGS TO KNOW ABOUT MY QSUPER



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Before you get started

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- Wealth Today (AFSL 340289)
- Sentry Advice (AFSL 227748)
- Synchron Advice (AFSL 243313)
- Millennium3 (AFSL 244252)

Before acting on any information contained herein you should consider if it is suitable for you. You should also consider consulting a suitably qualified financial, tax and/or legal adviser.

Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

Letter from the Wealth Adviser Library

Dear Reader

Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

Wealth Adviser Library

Introduction

Insurance. QSuper is the superannuation fund for current and former Queensland Government employees. It is the largest (with around 530,000 members) and also one of the oldest super funds in the State of Queensland and has over $5 billion under investment.

This reaction is obviously rather ironic as the QSuper has a unique relationship with the Queensland Government. In most cases Australian employees are free to choose their own super fund but Queensland Government employees have to make use of QSuper as the government only makes contributions to this one specific fund.

Because of this exclusive arrangement many Queensland Government employees may feel that they are rather limited in terms of their investment options. This is not necessarily the case however. QSuper offers a variety of investment options and it is the purpose of this guide to profile some of these options. By familiarising yourself with what might be possible you will be able to make more informed choices to maximise your retirement options

1. QSuper Basics

To understand your contribution options, it is necessary to briefly focus on some general facts regarding superannuation contributions.

Two entities are allowed to contribute to your QSuper fund:

- Your employer (Regardless of your age)
- You (Provided you are under 64 years of age. If you are between 65-74 you can contribute if you work at least 40 hours during a consecutive 30-day period each financial year)

Super contributions are 'preserved'. This means that you generally cannot access such funds before retiring at a certain age known as the 'preservation age' (for people born after 01/07/1964 this is 60 years) is reached. Exceptions to this rule include severe financial hardship, 'transition to retirement' (see below) or being diagnosed with a terminal condition. At age 65 super funds can be released regardless of whether a person is retired or not.

Generally speaking there are two types of contributions:

Concessional (before-tax) Contributions: This can include employer contributions, member before-tax (salary sacrificed) contributions or member contributions for which a tax deduction has been claimed.

Concessional contributions are subject to tax when paid to a superannuation fund. The rate at which it is taxed (currently 15%) is significantly lower than their regular tax rate for most people.

Non-Concessional (after-tax) Contributions: These can include member after-tax contributions and spouse contributions. Non-concessional contributions are generally not subject to tax, except where they exceed the non-concessional contributions cap (see below).

For both concessional and non-concessional contributions there are certain caps above which contributions will be taxed at the appropriate marginal tax rate. These thresholds and the relevant tax implications will be discussed below.

Once money is paid over to QSuper the default option is for it to go into the member's 'Accumulation Account'. Members are encouraged to exercise choices in terms of how investments in this account are managed. If this is not done the fund will select a generic investment strategy. Those who are at the stage of drawing income from the fund will be transitioned from an 'Accumulation' to an 'Income' account.

Some older Queensland Government employees hold 'Defined Benefit' (DB) accounts. A Defined Benefit account gives you a package of benefits and uses a formula based on your final salary before retirement to calculate your retirement benefit. DB accounts are different from 'Accumulation Accounts' but some may include 'Accumulation Sub-Accounts' (e.g. in cases where members made additional contributions).

Having answers to these questions is a very important first step to creating a suitable protection strategy for your circumstance.

2. QSuper Contribution Arrangements

Members of QSuper who are not employees of the Queensland Government will make contributions to the fund in accordance with their arrangements with their employers. This section will deal with those members who are employees of the government. In their case there are three different types of arrangements according to which payments will be made. Which particular arrangement is applicable should be made clear when employment is commenced.

Core Arrangements

As the name indicates this is the set of arrangements under which most Queensland Government employees are employed. Under core arrangements you are required to contribute a certain percentage (between 2% and 5%) of your salary to QSuper. The size of your contribution will in turn determine the amount paid by the government (Super Contribution Guarantee) as should be clear from the following table:

You Contribute	Employer Contributes (SCG)
2%	9.75%
3%	10.75%
4%	11.75%
5%	12.75%

It should be obvious from the table that it is very much in the interest of employees to up their own contributions as this will result in a significant rise in the employer contributions paid into their accounts.

Other Arrangements

In some cases the 'matching' described above will not occur and employees will only receive the standard employer contribution (9.5% of 'Ordinary Time Earnings') required by legislation. Whether this is the case will be made clear in the employee 'Welcome Pack'.

Casual Arrangements

Those employed under casual arrangements will receive 9.5% of their salary as employer contributions and will not be required to make standard member contributions.

Police Officers

Police Officers can make use of a particularly favourable contribution regime. They have the option of paying 6% of their salary as a standard member contribution. In such cases the government will contribute 18%. If they choose to pay less than 6% the government contribution will decrease accordingly. Contribution rates for police officers are presented below:

Police Officer Contributes	Employer Contributes (SCG)
3%	12%
4%	14%
5%	16%
6%	18%

In all cases employees are obviously more than welcome to make voluntary contributions in order to boost their retirement savings. In most cases this will result in favourable tax treatment provided contributions stay below contribution caps. Employees should, for example, investigate the possibility of 'salary sacrificing' some of their income by directing their employer to pay it over to the super fund. Provided that contributions can be kept under the tax thresholds the positive tax implications can be quite significant (15% for salary sacrificed contributions vs. the marginal tax rate).3. Contributions Thresholds and Taxation Arrangements

Contributions to super are generally treated under a very favourable tax regime, provided that they are kept under certain 'caps'. The following rates are applicable for the 2014/2015 tax year.

Concessional Contributions Caps

Income Year	Cap	Special Age Based Cap
2013/2014	$25,000	$35,000 for those aged 59+
2014/2015	$30,000	$35,000 for those aged 49%

Concessional contributions below the caps listed above will be taxed at 15% (provided that your Tax File Number is held by the fund). Contributions above the caps will be classed as part of assessable income and taxed at the marginal tax rate of the employee. Excess contributions will also count towards your concessional contributions cap.

Those who make excess concessional contributions can request that up to 85% of these contributions be taken as income and released from the fund. In such cases a 15% tax offset to compensate for tax already paid on the excess contributions can be applied.

Non-Concessional Contributions Thresholds

Income Year	Cap	Special Age Based Cap
2013/2014	$150,000	$450,000
2014/2015	$180,000	$540,000

Persons under age 65 can ‘bring forward’ 2 years’ worth of non-concessional contributions. This means that for 2014/15 a person could contribute $540,000 over 3 years without exceeding the cap.

If you exceed this cap, you will be liable to pay tax on the excess contributions at a rate of 49% (including Medicare Levy).

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4. QSuper Investment Options

We live in an increasingly litigious society. Your insurance policies should therefore not While most people view their super contributions as a kind of set-and-forget arrangement this need not be the case however. We would, in fact, argue that it makes good sense to review the investment options associated with your account to make sure that you make the right choice for you in your circumstances.

QSuper offers three investment options namely: Lifetime, Your Choice/Ready Made and Self Invest. These will be discussed in turn.

Lifetime

This can be described as the 'default option' for those who are not keen to take an active interest in the management of their super. For those on this arrangement QSuper will automatically adjust the investment strategy based on the investor's age and super balance. The main benefit of Lifetime is that you don't have to do anything to manage your super. The downside is that you relinquish control over the performance of your fund to QSuper fund managers.

Your Choice/Ready Made

With this option you have more control over the investment strategy as you have the option to select funds or asset classes that follows clearly defined strategies. You will, for example, be able to select an appropriate mix of cash, bonds and shares. Under the 'Ready Made' stream investors can choose from Moderate, Balanced, Socially Responsible and Aggressive funds. 'Your Choice' options include: Cash, Diversified Bonds, International Shares and Australian Shares. Your Choice/Ready Made represents a kind of 'middle of the road' option for those who would like a certain level of control but who do not want to take the step to manage direct investments.

Self Invest

Investors opting for 'Self Invest' are given the option to invest directly in shares, exchange traded funds and term deposits. This is obviously very much a 'hands on' option and one that should only be exercised by those willing to take an active role in managing their super investments. Sufficient for your needs, especially if you are in a high-risk profession or regularly take part in risky activities. Home and contents policies, for example, often include a legal liability benefit.

5. Investing Outside the QSuper Environment

If while QSuper provides a range of investment option some people may still wish to transfer their funds out of QSuper in order to exercise investment options (most notably to invest in a 'Self-Managed Super Fund'). Until recently this was not permitted but recent changes have made it possible to 'rollover' funds out of QSuper into another superannuation account. It should be noted that special conditions apply in the case of Queensland Government employees should they wish to exercise this option.

The following should be kept in mind:

1. The Queensland Government will only pay super contributions (including 'salary sacrificed contributions) to QSuper. It is, therefore, not possible to make regular payments into an outside fund (including SMSF's) as 'rollovers' are currently limited to once a year.
2. Rollovers cannot be made from 'Defined Benefit' accounts unless they have an 'Accumulation Sub Account'. In such cases only the contents of the sub account can be rolled over.
3. As far as standalone 'Accumulation Accounts' are concerned, the majority of the funds in them can be 'rolled over' (at once-a-year intervals). As long as you are a Queensland Government employee

your fund has to remain open.

4. Even if you 'roll over' the majority of the funds in your QSuper fund it will have to remain your default superannuation fund for all your Employer Super Guarantee Benefits SGC)
5. You have to leave a minimum balance of $2,000 in your QSuper account. This ensures that there is money in the account to fund insurance contributions

6. QSuper and 'Transition to Retirement'

The effects of serious illness, or even death, The Transition to Retirement measures allow people nearing retirement to access their accumulated superannuation in the form of a non-commutable income stream. 'Non-commutable' simply means that you cannot withdraw a cash lump sum from your superannuation funds under the measures and that a maximum drawing level applies.

The most important consideration when setting up a non-commutable income stream is to make sure that the arrangements being made are in compliance with the provisions of the Transition to Retirement measures.

Making use of Transition to Retirement by drawing an income stream from your superannuation benefits does not mean that you permanently waive the right to withdraw a cash lump sum from your fund.

The 'normal' rules governing withdrawals (including the ability to take out a lump sum) will come back into play if you:

- Retire permanently between preservation age and age 60
- Retire Permanently or cease your current employment after age 60 (even if you intend to seek other work)
- Reach the age of 65
- Become permanently incapacitated or meet another superannuation condition of release

One of the main benefits of Transition to Retirement is that it can help you to ease into retirement with part-time work without reducing your income. It can also help you to salary sacrifice larger amounts into super while paying less tax.

By transferring all or part of your super to an Income account, you can draw tax-effective income payments to supplement your take-home pay. Your superannuation contributions continue to be paid into your existing super account in preparation for your retirement.

It is highly advisable that you discuss all your options with a financial adviser with experience in this area before making a final decision on how to set up your non-commutable income stream.7. QSuper and Insurance

Taking out adequate insurance to ensure that debilitating illness or injury does not turn into a financial disaster is of critical importance to ensure the long term wellbeing of your family.

QSuper (along with other super funds) provide you with the option to purchase both 'Death and Total Disability' and 'Income Protection Insurance' from the contributions made to the fund. It makes sense to make use of this option as you will be able to purchase these vital types of insurance in a relatively tax efficient way (in the sense that you will be using finds to which a lower tax rate was applied). You should, however, obviously keep in mind that any funds used to purchase insurance will reduce available retirement funds within your super account.

Choosing the right levels of insurance cover, and deciding whether super-linked insurance is the best option in your circumstances can be a very difficult and complex call to make. This is why we would highly recommend that you consult a skilled financial advisor before committing to a final course of action.

7. QSuper and Insurance

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8. The Importance of Voluntary Contributions

QSuper members employed by the Queensland Government already enjoy super contribution rates that are significantly above average. This is because of the fact that the Queensland Government contributes above and beyond legal requirements in line with the contributions of members (see Section 2: QSuper Contribution Arrangements).

This head start can be further capitalised upon by making regular voluntary contributions. Saving a little as $20 per forthnight as a voluntary contribution can make a very significant difference to your financial health in retirement. QSuper makes it easy to set up such voluntary contributions and it is strongly recommended that members make use of this opportunity. Please speak to your financial advisor about the way in which voluntary contributions can strengthen your long-term financial position.

Conclusion

It is our hope that the information presented above set you thinking about some of the issues that you will have to pay attention to in planning your financial future. It would be impossible, however, to present a complete guide to all your financial planning needs in a document as brief as this. We urge you to continue your explorations by making use of some of the other resources and eBooks from the Wealth Adviser stable.

Wealth Adviser also stands ready to serve you with professional advice, so please do not hesitate to make contact and organise an appointment with one of our Advisers in Brisbane, Perth, Adelaide, Sydney or Melbourne.

Appointment booking request form

About the Adviser

Our services

Contact details

Please complete the Appointment Booking Request below and scan and email to:

Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Preferred appointment day and time

Day

Date

Time am/pm

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

Email

Your Details

Title

First name

Last name

Mobile

Reader Notes

Reader Notes

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