

# your FINANCIAL WEALTH

A regular monthly check-up on your investments for a healthy future | ISSUE 2 JULY 2007

## This Issue

MAP launches our NSW office

Simpler Super Changes at a glance

What's a superannuation benefit made up of?

2007 Federal Budget Changes

MAP Website Update

Glossary of Terms

## MAP has launched in NSW

MAP Funds Management is proud to announce the official opening of our Sydney office.



MAP appointed Tony Sequeira as State Manager – Tony is responsible for growing our business and continuing MAP's tradition of

providing excellent personal service to our members in NSW.

Tony has over 30 years experience in the superannuation industry, having worked in senior sales, consulting and management roles at major life offices (including MLC, AXA and Zurich) and consulting and actuarial firms (including Alexander Consulting, NSP Buck Consultants and Mellon). His experience extends to corporate, master trust and industry superannuation funds. ■■■■



## Simpler Super Changes at a glance

### Tax free payouts from taxed super funds from age 60

- From 1 July, you will pay absolutely no tax on any super payout from a taxed fund, as long as you take it after you turn 60
- Whether you take it as a lump sum or as a regular income, you'll pay no tax on your payout, as long as you don't take it before you're 60. You won't even have to declare it on your tax return.

### More choice in how you take your super

- Until now, once you reached 65 and you were no longer working, you had to take your super as a lump sum or pension, whether you wanted to or not.
- From 1 July 2007, this will be much more flexible. You can leave your super in to continue making money, or start taking it – it's up to you. You can also continue to work part-time and keep adding to it.
- And as long as you're meeting the work test, you can keep adding to your super all the way up to the age of 75. Some restrictions apply.

### A better government pension deal for people with savings

Under the current rules, many people miss out on a government pension because of the value of their savings and other assets. From 20 September 2007, the changes mean that a large number of people will receive more money. Some because they get a larger government pension and some because they will be eligible for a government pension for the first time.

### Easier to top up your super

- From 1 July 2007, new contribution limits (caps) apply:
  - Anyone can contribute up to \$50,000\* a year before tax (includes SG and Salary Sacrifice), and
  - Until 2011-12 if you are over 50 and still working, you can make before tax contributions up to \$100,000 a year. From 2012-13 this returns to \$50,000\* a year.

\* This amount is indexed.



### A better deal for the self-employed

- Until now, self-employed people could only claim a deduction for part of their super contributions
- From 1 July 2007, most self-employed people will be able to claim a tax deduction for all their super contributions up to the cap made from 2007-08
- And for the first time the Australian Government's Super Co-contribution will also become available to self-employed people.

### Easier to find and transfer super from different jobs

- If you have a number of super funds from different jobs, it may be a good idea to put them together into one fund.
- Until now, it's been complicated to do. You usually had to fill out and send off different forms to each one of your super funds.
- But, from 1 July 2007, all you have to do is complete just one form and send it to the super fund of your choice. You can get this form from MAP by calling 07 3838 1234 or 1800 640 055 (outside Brisbane)
- And if you've lost track of some of your super, you can start looking for lost super by going to [www.australia.gov.au/bettersuper](http://www.australia.gov.au/bettersuper) and clicking on "superseeker"

## From 1 July – What's a Superannuation Benefit made up of?

- a tax-free component, and
- a taxable component which includes:
  - > an element taxed in the fund, and/or
  - > an element untaxed in the fund.

Super funds will need to calculate these components for each benefit that is paid. The proportioning rule is generally used to calculate the tax-free and taxable components of a benefit.

### What is the proportioning rule?

When a super benefit is paid from a superannuation interest, the benefit will include both tax-free and taxable components calculated in the same proportion that these components make up the total value of the superannuation interest.

### How do funds calculate the tax-free component of a superannuation interest?

The tax-free component of a superannuation interest is the total value of the following segments:

- the 'contributions segment', and
- the 'crystallised segment'.

### What is the contributions segment?

The contributions segment generally includes all contributions made from 1 July 2007 that have not been included in the assessable income of the fund. Typically these would be a member's personal contributions not claimed as an income tax deduction.

### What is the crystallised segment?

The crystallised segment includes the following existing components of a superannuation interest that are consolidated into the tax-free component:

- the concessional component
- the post-June 1994 invalidity component
- undeducted contributions
- the capital gains tax (CGT) exempt component, and
- the pre-July 83 component.

The crystallised segment is calculated by assuming that an eligible termination payment (ETP) representing the full value of the superannuation interest is made in respect of the member just before 1 July 2007.

When an untaxed super fund crystallises these components there is no pre-July 1983 component when the taxable component consists solely of element untaxed in the fund. The pre-July 83 component for an element untaxed in the fund is only calculated when a lump sum super benefit is withdrawn or rolled-over into a taxed fund.

Source: ATO Website – July 2007 ■■■

## 2007 Federal Budget Changes

**After the major reforms announced in the 2006 Federal Budget to simplify the superannuation system (all of which have now been legislated), no major changes to the superannuation system were expected this year. However, the following minor changes were announced.**

### One-off doubling of government co-contributions for eligible contributions made in 2005-06.

The government announced a one-off doubling of the level of co-contributions for eligible individuals. However, this is for eligible contributions made in the 2005-06 year only. In other words, nothing can be done today to qualify for the increased co-contribution. For a person who qualified for the full co-contribution of \$1,500, the government will now make an additional co-contribution of \$1,500, to bring the total co-contribution to \$3,000.

### Co-Contribution reforms

It is also important to be aware of the following changes that will impact the co-contribution entitlement from 1 July 2007:

The self-employed will become entitled to receive the co-contribution. They will be subject to the same income thresholds as employed persons, but it is their net business income (after allowing for deductible expenses other than personal superannuation contributions) that is counted in their total income amount. The lower threshold to qualify for the maximum co-contribution entitlement is \$28,980 for the 2007-08 year. The maximum threshold where co-contributions cease will be \$58,980.

### Extending SMSF capital gains tax rollover relief on marriage breakdown

CGT relief on marriage breakdown rollovers for SMSFs has also been extended. Currently, rollover relief only applies to a superannuation interest that is subject to a payment split (made under Family Law Act 1975) where the member is transferring the benefit in-specie from one SMSF into another SMSF.

Importantly, the CGT relief only applies to the interest subject to the payment split. Under the new proposals, one spouse will be able to transfer their entire benefit in-specie from an SMSF to another complying super fund (whether or not an SMSF) without triggering an immediate capital gain. The only constraint will be the ability of the new fund to receive in-specie rollovers.

### Taxation & Eligible Termination Payments

The taxation of Employment Termination Payments will be changed to reflect the removal of the Reasonable Benefit Limit system and benefits tax.

Employment Termination Payments will comprise two components – the tax-free (non-concessional) component and the taxable (concessional) component. The tax-free component will be any post June 1994 invalidity amount and the pre July 1983 amount. The taxable component will be the remainder of the payment. This will be taxed at 15 per cent for amounts up to a maximum of \$140,000 for recipients of preservation age and over and at 30 per cent for those under preservation age. Amounts in excess of this will be taxed at the top marginal tax rate plus Medicare levy.

These arrangements will apply per termination and any payment must be made within one year of termination.

As superannuation benefits paid to those over age 60 will be tax-free, Employment Termination Payments will no longer be able to be contributed to superannuation.

Transitional arrangements will be put in place for individuals with Employment Termination Payments specified in existing employment contracts as at 9 May 2006, provided payment is made prior to 1 July 2012. Under these arrangements, the taxable component will be taxed at 15 per cent up to a maximum of \$140,000 (30 per cent if under 55), 30 per cent up to \$1 million and the top marginal rate plus Medicare levy for any further amounts.

These Transitional Termination Payments may be contributed to superannuation until 1 July 2012 (where the contribution will be taxed at 15 per cent). However, any amounts above \$1 million that are contributed will be subject to the contribution caps and excess contribution taxes.

### Did you know failure to provide your TFN could cost you money?

Under new superannuation legislation implemented from 1 July 2007, where a TFN has not been quoted to a taxed fund, contributions will be taxed at the top marginal tax rate plus Medicare levy where taxable contributions to that fund for an existing member exceed \$1,000 in a year. The \$1,000 threshold will not apply for accounts opened on or after 1 July 2007.

Superannuation funds will not be required to apply the higher tax on accounts where a TFN has not been quoted until 30 June each year. This will give people until 30 June 2008 to quote their TFN if they have not already done so before the higher rate need apply.

The current tax rate on superannuation contributions is 15%, but under proposed superannuation changes your failure to

provide a TFN could mean that you may pay more tax on your contributions than you need to (ie. the highest marginal tax rate including Medicare levy).

For example, Bob contributes \$20,000 for the 2007/08 financial year.

	Tax File Number Provided	Tax File Number not Provided
Tax Rate	15%	46.5%
Tax Payable	\$3,000	\$9,300

By simply providing his tax file number Bob has saved \$6,300 in contributions tax.

#### Taxation of Lump sum death benefits paid from a taxed source

A lump sum death benefit payment will be tax free if paid to a person who is a dependant. A dependant for tax purposes is a spouse or former spouse, a child less than 18, a person with whom the deceased had an interdependency relationship just before he or she died, or any other person who was financially dependant on the deceased just before he or she died. If the lump sum death benefit is paid to a non-dependant, the taxable component will be taxed at 15 per cent.

#### Death benefit pension taxation

The taxation of a death benefit paid as a reversionary pension will depend on the age of the primary and reversionary beneficiary. If the primary beneficiary was aged 60 or over at the time of death, then payments to the reversionary beneficiary will be tax exempt. If the primary beneficiary was under age 60 at the time of death, the pension will be taxed at the reversionary beneficiary's marginal rate (less any deductible amount and pension rebate) unless, or until, the reversionary beneficiary is aged 60 or over, in which case the pension becomes tax exempt.

Death benefits will be able to be paid as a pension to a dependant if the member dies before commencing a pension. These pensions will be taxed in the same way as a reversionary pension see above.

Death benefits will be able to be paid as a pension to a dependant child, although when the child turns 25, the balance in the fund will have to be paid as a lump sum (tax free) unless the child was permanently disabled.

A pension will not be able to revert or be paid to a non-dependant upon the death of a person. These pensions will be paid out to the non-dependant as a lump sum.

#### Pension Changes

The assets test exemption for 'complying' income streams will be removed for income streams purchased on or after 20 September 2007.

The income test will not change.

Your assets will have less effect on your government pension.

There's an amount of assets you're allowed to have and get a full pension. That amount varies according to whether you're married or single, and whether or not you own your own home. That's because your home isn't counted when your assets are added up.

#Currently those asset limits for a full pension are:

Single homeowner	\$166,750
Single non-homeowner	\$287,750
Homeowner couple	\$236,500
Non-homeowner couple	\$357,500

For every thousand dollars of assets above these amounts the government pension is currently reduced by \$3 per fortnight.

\*But from 20 September 2007, that will be halved from \$3 to \$1.50. This means, for example, that a single homeowner with assets of around \$500,000 will, for the first time be able to get a part pension under the assets test.

\*And a single homeowner who has \$250,000 in assets (such as a holiday house) and doesn't receive any other income will get around \$133 a fortnight more from their government pension.

This will apply to the following payments:

- age and service pension;
- disability support pension;
- carer payment;
- wife pension;
- widow B pension; and
- bereavement allowance.

\*Source: Australian Government "Better Super" booklet.

#Source: Asset Limits- Centrelink A guide to Australian Government payments. ■■■

### MAP Superannuation Plan returns to 30 June 2007

	% PA	% PA	% PA	% PA
	1 year	2 years	3 years	5 years
POOLS				
Cash	5.9	5.5	5.4	4.9
Australian Equities	25.9	23.9	24.4	
International Equities	10.7	13.3	10.0	
Diversified Property	17.1	16.1	17.1	
Capital Stable	9.3	8.6	8.9	7.4
Balanced	15.5	15.2	14.6	10.8
Growth	19.0	19.2	18.3	12.7

## The MAP Australian Equity Fund has reduced its management fee!

From April 2007, investors in the MAP Australian Equity Fund (AEF) will be paying a reduced fee. The new fee will be a competitive 0.7% pa compared to the previous fee of 1% pa (excluding fees for external managers and custodian fees).

That means the net fund's earning performance will increase by 0.3% going forward. ■■■

## MAP has launched its new website!

**By now all members of MAP should have received their Member Card. If you haven't received yours yet, you should contact us to arrange for a new Member Card to be sent to you.**

We have received many positive comments from members regarding the ease of use of the site, and the accessibility of account balance and transaction details.

We hope all members take advantage of this new facility.

#### What will the new website allow me to do?

- View your current account balance
- Submit paperwork for personal and employer contributions
- View weekly unit prices (unit prices determine the value of your investment)
- Add / amend your details
- Notify us of your TFN (Tax File Number)
- View your insurance and beneficiary details and view and change your current investment strategy
- Subscribe to electronic versions of our newsletter and Investment Brief
- Access all member forms and MAP publications

#### Why did MAP change its website?

As part of our initiative to keep members well informed with timely, accurate and easy to understand information, we created a user friendly website that allows members to access their account details online and be more involved with their superannuation benefit. ■■■

## Glossary of Terms

Below is a useful reference guide to some of the terms used within this the superannuation environment. Please note that these are not formal legal definitions, but a way to help you understand superannuation in plain language. They are current as at 10 May 2007. Please refer to [www.ato.gov.au/super](http://www.ato.gov.au/super) for further information.

### Before-tax contributions

Contributions to super that are made before tax is taken out of your wage. These can be made by employers for superannuation guarantee and also include salary sacrifice contributions. Contributions made by the self-employed, for which they can claim a tax deduction are also included. May also be called 'concessional', 'taxable' or 'deducted' contributions.

### Complying superannuation fund

A superannuation fund that receives concessional tax treatment.

### Concessional contributions

Contributions to super that are made before tax is taken out of your wage. Includes superannuation guarantee contributions made by employers, salary sacrifice contributions and contributions by the self-employed, for which they can claim a tax deduction. These contributions are taxed at a lower "concessional" rate of 15%, which is often referred to as 'contributions tax'.

### Concessional contributions cap

From 1 July 2007 there is a limit on concessional contributions of \$50,000 (indexed) a year. For people 50 or over, there is a transitional limit of \$100,000, (not indexed) but only until 30 June 2012. Contributions in excess of the limit are subject to the excess concessional contributions tax.

### Contributions tax

The 15% tax payable on some amounts paid into a superannuation fund and the earnings and investments held in the fund. Your super fund usually reduces your superannuation account by your share of this tax.

### Employment termination payment

A lump sum payment made to you when your employment is terminated. These payments must be made within 12 months of termination, and usually receive concessional income tax treatment.

### Excess concessional contributions

Before-tax contributions to your super fund which go over a yearly cap. This is \$50,000 a year (indexed) for most people. If you're over 50 between 1 July 2007 and 30 June 2012, the cap is \$100,000.

### Excess non-concessional contributions

After-tax contributions to your super fund which go over a cap of \$150,000 a year (indexed). Excess concessional contributions (see above) are also counted towards this limit.

### Excess concessional contributions tax

A tax of 31.5% on your contributions over the cap. You are personally liable for this tax, and you can ask your super fund to release money to pay it.

### Excess non-concessional contributions tax

A tax of 46.5% on your contributions over the cap. You are personally liable for this tax, and you must ask your super fund to release an amount of money equal to the tax.

### Income test

One of the tests used to work out whether a person is entitled to receive government benefits. It calculates the amount of assessable income that the person earns, which can affect their payment rate.

### Non-concessional contributions

These are amounts that count toward your non-concessional contributions cap, i.e. personal contributions which are not claimed

as an income tax deduction. These include contributions made by your spouse to your superannuation account.

### Non-concessional contributions cap

From 1 July 2007, non-concessional contributions made to super are capped at \$150,000, or \$450,000 over a three-year period.

### Pension age

65 for men and 63 & 1/2 for women, gradually rising to 65 for women by 2014.

### Preservation age

The age when you can access your superannuation benefits. Preservation age will rise from 55 to 60 between 2015 and 2024. This will mean that for someone born before 1 July 1960, their preservation age is 55 years, while for someone born after 30 June 1964, their preservation age will be 60.

### Salary sacrifice contributions

When you arrange for your employer to put a part of your before-tax salary into your superannuation account for you. These contributions count toward your concessional contributions cap.

### Super Co-contribution

A payment made by the government into your super fund. The government pays \$1.50 for every \$1 you make in personal contributions for which you have not claimed a tax deduction, up to a maximum of \$1,500. The payment reduces by 5 cents for every dollar you earn over \$28,980.

### Work test

A test that requires a person to have worked at least 40 hours within 30 consecutive days in a financial year. People who are aged between 65 and 74 must meet the work test to be allowed to make personal superannuation contributions.

Source: ATO "Super Terms Explained" 10/5/2007

## HOW TO CONTACT US

### HEAD OFFICE

Level 9, 87 Wickham Terrace Brisbane Qld 4000  
GPO Box 1130 Brisbane Qld 4001  
Telephone: 07 3838 1234  
Toll Free: 1800 640 055 (outside Brisbane)  
Facsimile: 07 3838 1235

### NSW OFFICE

Level 17, 201 Miller Street North Sydney NSW 2060  
GPO Box 1130 Brisbane Q 4001  
Telephone: 02 9959 2320  
Facsimile: 02 8923 2525

Email: [enquiries@mapfunds.com.au](mailto:enquiries@mapfunds.com.au)  
Website: [www.mapfunds.com.au](http://www.mapfunds.com.au)

MAP Funds Management Ltd ACN 011 061 831  
Australian Financial Services Licence No 240753  
APRA RSE Licence No L0000703  
Issuer and Trustee of:  
MAP Superannuation Plan | RSE Licence No. R1001587  
MAP Pooled Superannuation Plan | RSE Licence No. R1001563  
MAP Australian Equity Fund | ARSN 092 833 308