FACT SHEET
Rolling Over Superannuation

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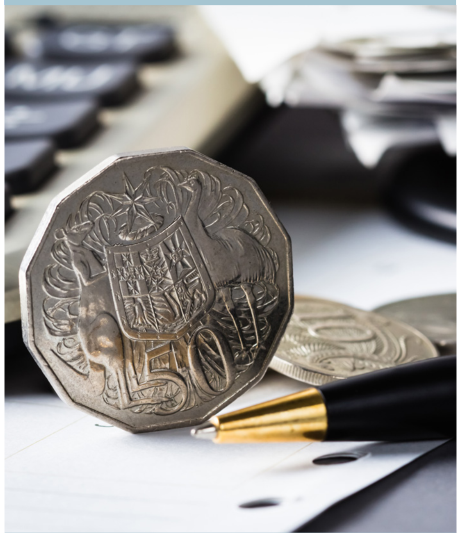

When rolling over or transferring superannuation much thought is given to fees and performance. People do not realise that substantial amounts of money can be lost due to poor investment choice and little consideration is given to the issue of safety.

People who are retired, or nearing retirement with small amounts of superannuation cannot afford to take undue risk with their investments. For these people, safety is an important aspect when choosing a fund and investment options.

If an adviser/planner recommends a rollover to another superannuation fund they are required to provide in writing, good reason for the transfer including costs, benefits and consideration for other issues such as attached life insurance. Where a transfer/rollover request is made without seeking advice, the fund being exited may require a statement showing that consideration was given to any costs and the possible realisation of losses.

Transfers can be made within either phase (accumulation or pension) and from the pension to the accumulation phase at any age. Rolling over from the accumulation phase to the pension phase requires 'certain conditions' to be met. Refer to our publication Introducing Superannuation.

When rolling over, consideration should be given to appropriate investment strategies that satisfy the investor's needs and objectives. Various investment options, such as those listed below, may be used and varying fees and charges apply.

Each option has a different level of risk. It is the investment objectives and attitude to risk, not predicted returns that should determine choice. Refer to our publication 'Safety, Risk and Scams' and our 'Risk Meter' for help in understanding risk.

Cash: Low risk investment with little or no potential for capital growth.

Capital Secure: Funds are usually invested in the cash and fixed interest markets. Returns and balances can rise and fall due to market conditions.

Capital Stable: Invested in a wide range of less volatile investments but including some exposure to shares. Returns and balances can rise or fall due to market conditions.

Fixed-Term: These operate like a term deposit and offer a set rate of return for a fixed period of time.

Managed: These market linked options may have names such as Growth, Balanced, Property, International or simply Managed Fund.

The superannuation fund can invest in a number of different asset classes (diversified) or in a predominantly single asset class as is sometimes indicated by their name. The value of the investment will rise and fall with market conditions.

Always read the Product Disclosure Statement (PDS) carefully to see where money will be invested and the level of risk involved.

Superannuation and ETP's

Investments within the superannuation system can be transferred and retain their concessional taxation treatment. In the accumulation phase these include Superannuation Funds, Retirement Savings Accounts (RSA), Approved Deposit Funds (ADF) and Deferred Annuities (DA). In the payment phase they include Account Based Income Streams (ABIS)/Pensions and Immediate Annuities.

Withdrawals and transfers between funds as well as payments made as a consequence of termination of employment were, prior to 1 July 2007, referred to as Eligible Termination Payments. They now do not fall under this category of payment.

From 1 July 2007, the term Eligible Termination Payment was replaced with the term Employment Termination Payment (ETP) and only a non-superannuation lump sum payment that is made due to the termination of employment is now referred to as an ETP.

An ETP cannot be rolled over to superannuation. To retain the concessional tax treatment, it must be paid within 12 months of termination of employment.

Superannuation benefits that are rolled over to a new fund maintain their taxable and tax exempt components. When rolling over benefits to an existing fund the taxable and tax exempt components are added to those of the existing fund which can then change the proportions of the components.

The Retirement Factor

Superannuation benefits can be retained in the accumulation phase indefinitely. However, depending on the fund rules it may still be necessary to transfer them to another fund.

Superannuation assets, for a person of pension age or service pension age, are assessable under the assets test and, if in the accumulation phase, are subject to deeming under the income test. Accordingly, depending on what is to be done with the assets, consideration should be given to investment options as this time approaches. For those intending to withdraw benefits from superannuation or convert to an income stream with a different investment structure, it may be prudent to rebalance the funds to less volatile options, consolidating any gains achieved. This may incur costs and should be fully investigated before proceeding. For those planning to retain benefits in the accumulation phase or to convert their benefits to an income stream with similar asset allocation, no action may be necessary. Many rollover investments have the same or similar names and investment options as non-superannuation managed investment products and as a result, gross returns and volatility may be similar.

Death Benefits

This is a complex matter that requires expert advice in relation to personal circumstances. Death benefits paid from superannuation funds, RSAs, ADFs and Deferred Annuities may be exempt from tax when paid to dependants. Taxable components paid to non-dependants yield a tax liability.
From 1 July 2017 death benefit income streams are allowed to be rolled over to another provider and will retain its death benefit status.

Investing With Safety

- Establish practical levels of risk which you are comfortable with
- Ensure a range of investments and fund managers are considered to reduce the risk
- Be aware that investments indicating higher returns usually involve greater risk
- Match investment choices to objectives and anticipated investment time frame
- Be aware of the fees and charges involved. Rolling over, switching from one fund to another or changing investment options may incur additional fees and charges
- Be aware that rolling over super, switching funds or investment options may trigger a capital gains tax event within the fund
- Check what the guarantees (if any) mean and who is providing them
- Measure the performance of the investment against personal goals, not the latest advertising claims. Past performance does not guarantee future returns
- Refer to our ‘Risk Meter’ for further help in considering investment time frames

A secure retirement should be your aim.