

## APPLICATION FOR MEMBERSHIP

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**Name of Fund:** S & A WHITAKER SUPERANNUATION FUND

**Member's Name:** WHITAKER, AMANDA LEE  
(Minor's Name if on behalf of minor)

**Address:**  
1 WADE CLOSE  
LUDDENHAM NSW 2745

**Date of Birth:** 15/07/1971

**Occupation:** Payroll / HR Manager

**Telephone:** 0430 369 926

**Fax:** —

**Tax File Number:** 178 380 552

**Contributing Employer(s):** Nover & Co Pty Ltd

I hereby apply to become a Member of the abovementioned Fund.

\* I apply as the parent or guardian of and on behalf of the minor referred to above.  
(Delete if inapplicable)

I understand that my membership is subject to terms and conditions specified in the Governing Rules.

This application is accompanied by a Product Disclosure Statement.

I have received from the Trustee a notice containing information needed for the purpose of understanding the main features of the Fund, its management and financial condition and investment performance. (The Trustee must attach these if the Member is joining at a time other than when the fund is established).

**Signed:** A. Whitaker

**Dated:** 31.10.16



# **PRODUCT DISCLOSURE STATEMENT**

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## **S & A WHITAKER SUPERANNUATION FUND**

This Product Disclosure Statement must be attached to all Application Form(s) for Membership by Members. Any omitted details must be inserted.

**Name & Address and Contact Details (ie Telephone, Fax, Email) of Member(s):**

WHITAKER, AMANDA LEE  
1 WADE CLOSE  
LUDDENHAM NSW 2745

**Name & Address and Contact Details (ie Telephone, Fax, Email) of Trustee(s):**

MASE PROPERTY INVESTMENTS PTY LTD  
A.C.N. 615 631 911  
1 WADE CLOSE  
LUDDENHAM NSW 2745

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To obtain a copy of this statement and a copy of any document that is applied, adopted or incorporated by this statement you may telephone the Trustee whose number is below.

Telephone Number \_\_\_\_\_  
(The Trustee must insert their relevant telephone number here.)

Issued by the Trustee on: \_\_\_\_\_

Current as at 11 May 2016.

# PRODUCT DISCLOSURE STATEMENT (PDS)

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This PDS is a summary of significant information and contains a number of references to important information. You should consider this information before making a decision about the product.

The material relating to your SMSF may change between the time when you read this Statement and the day when you sign the application form for membership.

**The information provided in the Product Disclosure Statement is general information only and does not take account of your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances.**

## 1. ABOUT YOUR SELF-MANAGED SUPERANNUATION FUND (SMSF)

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Superannuation is to provide you with income for your retirement.

Your SMSF is established by the Trustee and the initial Member(s) signing a trust deed and contributions being paid to the Trustee who then invests that money as part of your super to provide retirement benefits to you.

For your Fund to be a SMSF it must meet several requirements. The requirements can vary depending on whether your Fund has individual Trustees or a corporate Trustee.

If your Fund has individual Trustees, the following must apply:

- it has four or fewer Members; each Member is a Trustee;
- each Trustee is a Member;
- no Member is an employee of another Member, unless they are related; and
- no Trustee is paid for their duties or services as a Trustee.

If your Fund has a corporate Trustee, the following must apply:

- It has four or fewer Members;
- each Member of the Fund is a director of the corporate Trustee;
- each director of the corporate Trustee is a Member of the Fund;
- no Member is an employee of another Member, unless they are related;
- the Trustee is not paid for its services as a Trustee; and
- no director of the corporate Trustee is paid for their duties or services as director in relation to the Fund.

Single Member Funds: If you have a corporate Trustee for a single Member Fund, the Member needs to be one of the following:

- the sole director of the corporate Trustee;
- one of only two directors, that is either of the following:
  - related to the other director;
  - not an employee of the other director.

A single Member Fund can also have two individuals as Trustees. One Trustee needs to be the Member and the other a person related to the Member or a person who does not employ them.

If a Member is under 18 they cannot be a Trustee and special rules apply.

Investments are made by the Trustee and are pooled with contributions made to the Fund in respect of any other Members.

A SMSF Trustee is ultimately responsible for running your SMSF. It is important that the Trustee understand the duties, responsibilities and obligations of being a Trustee or director of a corporate Trustee.

Members can, generally speaking, withdraw their investment in a superannuation fund (called a "Benefit") when they retire after reaching preservation age (see below). Benefits can also be paid if a Member dies or becomes totally and permanently disabled or if they are entitled to a transition to retirement pension. This means that you should only invest in superannuation money you can afford to put away until later.

## 2. HOW SUPER WORKS

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Superannuation is a means of saving for retirement which is, in part, compulsory.

There are different types of contributions that may be paid to the Trustee of the Fund. For example, employer contributions, contributions by you, government co-contributions.

There are limitations on contributions to, and withdrawals from, superannuation. Go to the "YOUR SELF-MANAGED SUPERANNUATION FUND" (version dated 11 May 2016) for more information.

Tax savings are provided by the Government.

Most people have the right to choose into which Fund the employer should direct their superannuation guarantee contributions which are 9.5% of your ordinary earnings.

You should read the important information about your SMSF before making a decision. Go to the "YOUR SELF-MANAGED SUPERANNUATION FUND" (version dated 11 May 2016).

The material relating to your SMSF may change between the time when you read this Statement and the day when you sign the application form for membership.

### **Withdrawing Benefits**

Benefits are generally for your retirement and normally cannot be paid out in cash unless you meet a condition of release.

A condition of release includes: reaching preservation age, retiring after reaching preservation age, death, permanent incapacity, attaining age 65 years, terminal illness and severe financial hardship. You should not cash your benefits before they are unrestricted non-preserved as those benefits will not be taxed concessional as a superannuation benefit and will be taxed at your marginal tax rate.

Any contributions made on or from 1 July 1999 are preserved benefits. Neither preserved, nor restricted non-preserved benefits may be accessed by you until a condition of release has been satisfied. Once a full condition of release is satisfied, the benefits in the Fund at that time become unrestricted non-preserved benefits. Generally, only unrestricted non-preserved benefits can be cashed by you from the Fund.

Your preservation age is worked out from the table below:

<b>Birth Date</b>	<b>Preservation Age</b>
Born before 01/07/1960	55
Born 01/07/1960 to 30/06/1961	56
Born 01/07/1961 to 30/06/1962	57
Born 01/07/1962 to 30/06/1963	58
Born 01/07/1963 to 30/06/1964	59
Born on or after 01/07/1964	60

When you are otherwise entitled to receive your benefit, it may be paid as a lump sum or pension.

Generally, the amount that can be paid is the amount to the credit of your member account less tax.

Where your benefit is being paid as a pension, the Trustee may pay your benefit by any type of income stream permissible including account based pensions. Transition to retirement pensions may be paid if you have not retired, however, there are limitations and conditions.

You may transfer your investment in the Fund to another complying superannuation fund or retirement savings account at any time.

## 3. BENEFITS OF INVESTING IN A SELF-MANAGED SUPER FUND

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This paragraph covers the SMSF in respect of which you have been given an application for Membership so that you may become a Member of the Fund.

The Fund's significant features and benefits are:

- As a Member and also a Trustee or director of the corporate Trustee, you may have more control over investments and greater flexibility by comparison with being a Member of an industry fund or a retail fund that is not a SMSF where you would not be a Trustee and where you may usually have general investment options only.

- Fees may be lower, however, this will depend usually upon where the funds are invested and the costs of running the SMSF.
- SMSFs may perform better than industry and retail funds. The Trustee may be able to make quick changes to the investment portfolio if investment conditions change.
- A SMSF may have greater flexibility in establishing and managing pensions. It may give you the ability to transfer personally owned listed securities and business real property directly into the Fund. It has the ability to own business real property that may, in appropriate circumstances and conditions in superannuation law, be rented for your business.
- A SMSF may be able to borrow money to purchase real estate or shares where the security is limited to the single asset being acquired, subject to certain conditions in superannuation law.
- A SMSF has estate planning benefits by allowing family Members to combine their assets in the Fund to grow for retirement.
- The SMSF provides retirement benefits usually in the form of lump sums or pensions and may provide income streams as a transition to your retirement.

#### **4. RISKS OF SUPER**

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All investments carry risk.

Different strategies may carry different levels of risk, depending on the assets that make up the strategy.

Assets with the highest long-term returns may also carry the highest level of short-term risk.

The significant risks of SMSF investment are in summary:

- the value of investments will vary;
- the level of returns will vary, and future returns may differ from past returns;
- returns are not guaranteed, and you may lose some or all of your money;
- superannuation laws may change in the future;
- the amount of your future superannuation savings (including contributions and returns) may not be enough to provide adequately for your retirement;
- the level of risk for you will vary depending on a range of factors, including:
  - age; and
  - investment time frames; and
  - where your other wealth is invested; and
  - your risk tolerance.

Other significant risks of joining a SMSF are in summary:

- There is a risk of theft or fraud and there is no insurance that will cover you for theft or fraud.
- Costs associated with running a SMSF with smaller account balances (for example less than \$200,000) can be significant and uncompetitive compared with other available super options.
- Rates of tax on superannuation contributions and benefits may increase.
- If the Fund has a variety of transactions and types of investments, the costs can be relatively higher than a public super fund due to their economies of scale.
- If you have money in a fund now and plan to transfer that money to this Fund then if you have existing life insurance in that fund you may not be able to obtain life insurance at comparable rates outside the Fund or inside it.
- You usually cannot access a super benefit payment from your SMSF until you reach your retirement age. You may be able to access pension payments when you reach 55 years of age subject to superannuation and tax laws. If you make voluntary contributions, you should ensure you will not need the money until you are able to meet a condition of release.

If the Trustee fails to comply with the superannuation tax laws, penalties may apply and your super may be reduced or fail to perform as well as it should. Additional tax may be payable from your super. The ATO may:

- make education directions;
- require enforceable undertakings;
- make rectification directions;
- make administrative penalties;
- disqualify a trustee;
- impose civil and criminal penalties;
- allow the Fund to wind up;
- issue notices of non-compliance;
- freeze the Fund's assets.

More information can be obtained from the ATO website.

## 5. HOW THE TRUSTEE WILL INVEST YOUR MONEY

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The Trustee of the SMSF will invest your money. The rules of the Fund permit a very broad range of investments and no particular investment option is offered. The Trustee must determine an investment strategy and should obtain professional advice for that purpose. The investment strategy should be reviewed regularly and revised if necessary.

Once the investment strategy is determined investments must be made in accordance with that strategy. Professional advice should be sought to determine particular investments.

You, as a Member, are not required to determine how super is invested, however, as a Trustee, or a director of a corporate trustee you must do so. If you as a Member do not request the Trustee to invest in a particular manner the

Trustee will invest as the Trustee sees fit and in accordance with the Fund's investment strategy. For example, it may be possible to have a separate investment strategy relating to your own interest in the Fund.

You should be aware that superannuation legislation imposes some strict limitations on the type of assets that can be invested in. Breaches of these laws can lead to severe penalties.

Professional advice should be sought.

### **WARNING**

**You must consider:**

- (a) The likely investment return; and**
- (b) The risk; and**
- (c) Your investment timeframe when investing**

Labour standards or environmental, social or ethical considerations are not taken into account in the selection, retention or realisation of investments relating to this superannuation product.

## 6. FEES AND COSTS

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### **DID YOU KNOW?**

**Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.**

**For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.**

**You may be able to negotiate to pay lower administration fees. Ask the fund or your financial adviser.**

### **TO FIND OUT MORE**

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneySMART.gov.au](http://www.moneySMART.gov.au)) has a superannuation calculator to help you check out different fee options.

As there are no investment options set out in the rules of the SMSF there are no costs or fees detailed here with respect to investment options.

Initial set-up costs will include the costs of the trust deed and initial documentation. As a Trustee or as a director of a corporate Trustee, you will be aware of the costs for your Fund. The Trustees will also need accounting and relevant professional advice. You will be aware of these initial costs as you are a Trustee or a director of a corporate Trustee.

There will also be annual ongoing costs (which are likely to increase each year) such as the ATO supervisory levy (for example, \$518 for new funds registered after 1 July 2015) accountancy fees to prepare financial accounts, audit fees, preparation and lodgement of annual taxation returns, tax advice and transaction costs on brokerage.

No fees and costs are charged by the Trustee for its services, however, where others are engaged to carry out work, such as accountants and financial planners and solicitors (and commissions on investments) then those costs are payable by the Trustee from the Fund and are usually debited to member accounts on a proportionate basis unless, for example, a particular amount is payable owing to a particular investment that has been made as requested by a particular member and for that member only.

Fees and costs of investments are available from the Trustee when an investment has been determined. They are usually set out in a PDS relating to the proposed investment.

**WARNING**

**Additional fees may be paid to a financial adviser if a financial adviser is consulted. If a financial adviser is consulted, please refer to the Statement of Advice given to the Trustee in which details of the fees applicable should be set out.**

## **7. HOW SUPER IS TAXED**

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A brief summary of significant tax information is set out below, however, you should always seek taxation advice from a professional adviser. Go to the "*YOUR SELF- MANAGED SUPERANNUATION FUND*" (version dated 11 May 2016).

### **Tax on Contributions**

When a contribution is made that is tax deductible (a concessional contribution) to the contributor, who may for example be you, if you are self-employed, or your employer, if you are an employee, then tax at 15% is payable from your Member account by the Trustees and this is usually paid quarterly to the ATO and will be included as assessable income of the SMSF.

The tax rate of 15% on concessional contributions was increased to 30% from 1 July 2012 for Members earning more than \$300,000. Go to the "*YOUR SELF- MANAGED SUPERANNUATION FUND*" (version dated 11 May 2016).

### **Tax on Excess Contributions**

**WARNING**

**There will be taxation consequences if the contribution caps applicable to superannuation are exceeded. Professional advice should be obtained by you before contributing to the Fund.**

Contribution caps are legal maximum limits on the amount of contributions that may be made by you and others for you that are taxed at a lower rate.

Contributions in excess of the respective caps are taxed at higher rates. The amount of tax you pay on the excess amount depends on which cap you exceed.

You should read the important information about your SMSF before making a decision. Go to the "**YOUR SELF-MANAGED SUPERANNUATION FUND**" (version dated 11 May 2016).

### **Tax on Fund Earnings**

When the Fund earns income on its investments it must pay tax to the ATO. The rate is usually a maximum rate of 15% on these earnings and your account will be debited with the tax on the earnings on your interest in the Fund. These are usually paid quarterly and annually as appropriate by the Trustee from your Member account. If you commence certain types of pensions, this tax may not be payable on the investment returns arising from assets used to support a pension.

### **Tax on Withdrawal of Benefits**

If you withdraw money from the Fund as a lump sum or a pension, the amount may be tax free or tax may be payable. To determine if your super withdrawal will be taxed, you need to know:

- Your preservation age and the age you will be when you get the payment;
- Whether the money in your super account is tax-free or taxable;
- Whether you will receive the payment as an income stream or lump sum.

A **tax-free component** is the part of a benefit that is tax-free when you withdraw it and does not count towards your assessable (or taxable) income.

A **taxable component** is the part of the benefit that is taxable. It may include two parts - one where tax has been paid and one where tax has not yet been paid. These are called taxed and untaxed elements respectively.

A **taxed element** is the super that has already had tax paid on it in the fund. It may or may not need to have additional tax paid on it once it is paid out. You may still need to include the taxed element in your tax return.

An **untaxed element** is the part of your payout that hasn't had any tax paid on it in the fund, but which is still taxable. It must be included in your tax return as assessable income.

Whether the money in your super account is tax-free or taxable when you withdraw it generally depends on the type of contributions that have been made and whether tax has been paid on it.

Non-concessional (after-tax) contributions, those made from your income after you paid tax on your income, are tax-free when withdrawn from your super account. Generally, personal contributions that you made from your after-tax income, unless you have claimed a tax deduction for them, are part of the tax-free component of super.

Concessional (before-tax) contributions, those made from your income before you paid tax on your income, are taxable when withdrawn from your super account. These types of contributions include:

- the super contributions that your employer must make for you;
- money that you salary sacrifice into super;
- super contributions that you were allowed to claim a tax deduction for.

If your Member Benefit is withdrawn as a lump sum, from a taxed element of a taxable component and:

- you are under the preservation age, the maximum tax rate is 20% plus Medicare levy ("levy");
- you are above the preservation age and under 60, there is no tax payable up to the low rate cap amount (\$195,000 for the 2015-2016 year) and the maximum rate is 15% (plus levy) if above it;
- you are 60 or over, there is no tax payable.

If your Member Benefit is withdrawn as a lump sum, from an untaxed element of a taxable component and:

- you are under the preservation age, the maximum tax rate up to the untaxed plan cap amount (\$1,395,000 for the 2015-2016 year) is 30% (plus levy). If the amount is above the untaxed plan cap amount, the rate is 45% (plus levy);
- you are over the preservation age and under 60, the maximum rate is 15% (plus levy) up to the low rate cap amount and the maximum rate of 30% (plus levy) for amounts above it and up to the untaxed plan cap amount. If the amount is above the untaxed plan cap amount, the rate is 45% (plus levy);
- you are 60 or over, the maximum rate is 15% (plus levy) up to the untaxed plan cap amount, and 45% (plus levy) if above it.

A lump sum death benefit paid to dependants (generally spouse and children under 18) is tax free. The taxed element of a taxable component paid to non-dependants is 15% (plus levy). The untaxed element of a taxable component paid to non-dependants is 30% (plus levy).

If you are withdrawing a pension from an element taxed in the Fund, and:

- you are under the preservation age, you will be taxed at your marginal tax rate, with no tax offset unless you are disabled;
- you are over the preservation age and under 60, you will be taxed at your marginal tax less any tax offset;
- you are over 60, there is no tax payable.

If you are withdrawing a pension from an element untaxed in the Fund, and:

- you are under 60, you will be taxed at your marginal tax rate, with no tax offset;
- you are over 60, you will be taxed at your marginal tax rate less any tax offset.

For a more comprehensive tax table, go to the "*YOUR SELF-MANAGED SUPERANNUATION FUND*" (version dated 11 May 2016).

#### **Tax File Number**

##### **WARNING**

**You must provide your tax file number to the Trustee as part of joining the self-managed superannuation fund.**

The Trustee must return all Member contributions to the person or entity who paid them within 30 days of becoming aware that the Trustee should not have accepted those contributions. The Trustee cannot accept any Member contributions nor contributions made by your spouse on your behalf without your TFN.

## **8. INSURANCE IN YOUR SUPER**

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The SMSF does not offer an insurance cover option at this time. Speak to the Trustee if you desire insurance and the Trustee should seek professional advice.

## **9. HOW TO OPEN AN ACCOUNT**

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You join the fund by signing the application for membership and giving that to the Trustee. Contributions must be paid to the Trustee to commence your membership. There is no cooling-off period applicable to joining the Fund.

You may make a complaint in writing or verbally to the Trustee whose contact details are shown on this form.

# YOUR SELF-MANAGED SUPERANNUATION FUND

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Version 11052016 (Prepared on 11 May 2016)

Please refer to the Product Disclosure Statement for

S & A WHITAKER SUPERANNUATION FUND

## REQUIREMENT FOR A PRODUCT DISCLOSURE STATEMENT (PDS)

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As a member of the Fund you must ensure that you have read the PDS. The requirement to issue a PDS is in the *Corporations Act 2001* (Cth).

Generally, under superannuation law, each Member will be a Trustee or each Member will be a director of a corporate Trustee. The Trustee has the obligation to provide a PDS and the Member is to receive the PDS. There is an exemption in the case of a self-managed superannuation fund if the Trustee (or its directors in the case of a corporate Trustee) believes, on reasonable grounds, that you as a prospective Member, for example, joining the Fund have received all of the information that the PDS should contain, or that you have and are known by the Trustee to have access to all that information. It is recommended that you ask the trustee for full access to all that information, even though you have received a PDS. If you are an adult Member not under a legal disability, you will be or must become a Trustee or a director of the Trustee and therefore all information about the Fund should be available to you or in your control.

The Trustee can give you a PDS after you join the Fund, if you join when the Fund is first established and in this case it is to be given to you as soon as practicable and in any event within 3 months after you join the Fund.

A PDS provides key information to Members of a newly established superannuation fund and to Members where the Governing Rules (the Governing Rules are the provisions contained in the Trust Deed establishing the Fund and any amendments to it - a copy is available from the Trustees) are amended provided that matters required to be disclosed in the PDS or the information in it has not changed and the amendment has not required a change to the information in the PDS. **If the Fund has received contributions then this PDS must have attached to it further information concerning the investments of the Fund and its investment strategy** (see paragraph beneath "Additional Attachments Where The Fund Has Previously Been Established"). A different PDS must be provided by the Trustee to you at other times, for example when a pension benefit is paid to you. These are matters on which the Trustees must obtain professional advice.

Choosing the right superannuation fund as part of your investment strategy can be a very effective way of achieving your financial goals.

A PDS helps you to understand the main features of this Fund. Professional advice before investing should be obtained.

### Need Help?

If you need help about investing generally, then speak to a licensed financial adviser. If you have questions about this Fund particularly, speak to the Trustees and /or the Trustees' professional advisers.

### Superannuation generally

Superannuation provides you with income for your retirement. Superannuation funds with more than one Member pool contributions and invest them for the benefit of the Members.

Tax concessions apply to contributions made to superannuation funds that comply with rules set out in the superannuation law. Tax deductions are available for some contributions. Tax concessions also apply to Fund earnings and to benefit payments.

Members can, generally speaking, withdraw their investment in a superannuation fund (called a "Benefit") when they retire. Benefits can also be paid if a Member dies or becomes totally and permanently disabled or if they are entitled to a transition to retirement pension or if they meet a condition of release referred to below. This means that you should only invest in superannuation money you can afford to put away until later.

## TRUSTEES

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For your fund to be a self-managed superannuation fund (SMSF) it must meet several requirements. This fund must always remain a SMSF.

The requirements can vary depending on whether your fund has individual trustees or a corporate trustee. Single member funds have some additional rules.

If your Fund has individual trustees, it is an SMSF if all of the following apply:

- it has four or fewer members;
- each member is a trustee;
- each trustee is a member;
- no member is an employee of another member, unless they are related; and
- no trustee is paid for their duties or services as a *trustee* in relation to the Fund

If your fund has a corporate trustee, it is a SMSF if all of the following apply:

- it has four or fewer members;
- each member of the fund is a director of the corporate trustee;
- each director of the corporate trustee is a member of the fund;
- no member is an employee of another member, unless they are related;
- the corporate trustee is not paid for its services as a trustee; and
- no director of the corporate trustee is paid for their duties or services as *director* in relation to the fund.

## SINGLE MEMBER FUNDS

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It is possible for you to set up your Fund with only one member.

If you have a corporate trustee for a single member fund, the member needs to be one of the following:

- the sole director of the trustee company
- one of only two directors, that is either of the following
  - related to the other director;
  - not an employee of the other director.

A single member fund can also have two individuals as trustees. One trustee needs to be the member and the other needs to be one of the following:

- a person related to the member
- any other person who does not employ them.

A trustee or director cannot be paid for their services as a trustee or director in relation to the fund.

## YOUR OBLIGATIONS

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As an SMSF trustee, you are ultimately responsible for running your SMSF. It is important you understand the duties, responsibilities and obligations of being a trustee or director of a corporate trustee.

Trustees of a SMSF need to act according to the following:

- your fund's trust deed; and
- the provisions of the laws that apply to superannuation funds, particularly the following:
  - Superannuation Industry (Supervision) Act 1993 (Cth) (SISA)
  - Superannuation Industry (Supervision) Regulations 1994 (Cth) (SISR)
  - the Income Tax Assessment Acts
  - other general rules and rulings of the ATO, such as those imposed under other tax and trust laws.

If there is a conflict between the Superannuation law and the Trust Deed, the law overrides the Trust Deed. A trustee who fails to perform their duties according to the laws, may face penalties.

If you are a new trustee or newly appointed director of a corporate trustee, you need to sign the Trustee Declaration within 21 days of your appointment to show that you understand your duties as a trustee of an SMSF. To obtain a copy of the Trustee declaration (NAT 71089) see the ATO website at [www.ato.gov.au](http://www.ato.gov.au).

Professional advice should be sought in relation to the succession to the trusteeship of the Fund in the event of your death or inability to continue to act as trustee or director of a corporate trustee. If a minor is to become a member, they can only do so generally speaking, by their parent or guardian who must also become a trustee or a director of a corporate trustee.

## **INFORMATION ABOUT BENEFITS**

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Your Member's Benefit is the amount of contributions credited to your Member's Account in the records of the Fund from contributions made by you or your employer or other persons on your behalf, plus, where applicable, insurance policy proceeds. Contributions are invested and therefore the value of your Member's Benefit will vary from time to time.

You can generally take your benefits once you reach preservation age (see below) and retired. In addition, once you are aged 65 or more, you can take your benefits even if you have not retired.

If you have reached or are older than the preservation age, you can reduce your working hours by taking some of your superannuation as a pension. You can then top up your reduced income by drawing on your superannuation. This transition to retirement measure only allows you to access your superannuation benefits as a 'non-commutable' pension, not a lump sum. This means that you generally still cannot take your superannuation as a lump sum cash payment while you are still working and will need to take your Member's Benefit as regular payments.

If you become totally and permanently disabled your Member's Benefit will be paid subject to Superannuation Law. Benefits can also be paid if you become temporarily totally disabled.

### **Preservation of benefits**

The Federal Government restricts when you can access most of your superannuation. In general, access to your superannuation will depend upon the 'preservation' classification that applies.

### **Preserved and non-preserved benefits:**

All contributions made by or on behalf of a Member and all earnings since 30 June 1999, are preserved benefits. Employer eligible termination payments (after 30 June 2004) rolled over into the Fund are also preserved benefits. Some employer eligible termination payments made before 1 July 2004 may be unrestricted non-preserved benefits. Preserved benefits may be cashed voluntarily only if a condition of release is met and then subject to any cashing restrictions imposed by the superannuation laws. Cashing restrictions tell you what form the benefits need to be taken in.

There are 2 other types of benefits:

### **Restricted non-preserved benefits:**

These cannot be cashed until you meet a condition of release. They are generally subject to the same cashing restrictions as preserved benefits.

### **Unrestricted non-preserved benefits:**

These do not require a condition of release to be met and may be paid upon demand by you. They include, for example, benefits for which a Member has previously satisfied a condition of release and decided to keep the money in the Fund.

### **Preserved benefits**

All contributions (including those you make) and earnings paid or accruing from 1 July 1999 are preserved. New employer eligible termination payments are also fully preserved. Preserved benefits cannot be paid unless a condition of release is met and subject to any cashing restrictions imposed as part of the condition of release. See below.

Preservation of benefits is complex and the Government may change the rules from time to time and you should speak to the Trustees or obtain professional advice before cashing out preserved benefits.

Preserved benefits can generally only be paid on taking advantage of a transition to retirement strategy; permanent retirement at or after your preservation age; reaching age 65; satisfying the compassionate grounds tests; meeting the financial hardship requirements; death; suffering total and permanent disability; permanent departure from Australia if you are an eligible temporary resident; satisfying any other condition for release specified in the superannuation law. See infra.

Your preservation age is worked out from the table below:

Birth Date	Preservation Age
Born before 01/07/1960	55
Born 01/07/1960 to 30/06/1961	56
Born 01/07/1961 to 30/06/1962	57
Born 01/07/1962 to 30/06/1963	58
Born 01/07/1963 to 30/06/1964	59
Born on or after 01/07/1964	60

### Conditions of release

These are the events you need to satisfy to withdraw benefits. The most common conditions of release for paying out benefits are:

- **Retirement**

Actual retirement depends on your age and for those less than 60 years of age, their future employment intentions. A retired Member cannot access their preserved benefits before they reach their preservation age.

- **Transition to retirement (attaining preservation age)**

Members who are under the age of 65 and have reached preservation age, but remain gainfully employed on a full-time or part-time basis, may access their benefits as a non-commutable income stream. A transition to retirement income stream must be an account-based pension. The amount paid to the recipient each year must meet a specified minimum and must not exceed 10% of the account balance on the commencement of a TRIS for the year it starts or on 1 July for each subsequent year.

- **Attaining age 65**

When you reach age 65 you may cash your benefits at any time. There are no cashing restrictions. (It is not compulsory to cash benefits simply because you have reached a certain age). The only time it is compulsory for an SMSF to pay out a member's benefit is when a member dies.

There are other circumstances when benefits can be released to you. For example, the Trustees may pay you or your dependants a benefit if you meet a condition of release in the event of compassionate grounds, severe financial hardship, temporary incapacity, permanent incapacity or death. Some of these permit early access to benefits before reaching preservation age. There are specific rules for each of these and some have restrictions on the way the benefits can be cashed.

- **Compassionate grounds**

You can apply to the Department of Human Services for a release on compassionate grounds. More information can be obtained from them or the Trustee.

You may be granted a release on compassionate grounds as a lump sum to pay for medical treatment or medical transport for you or a dependant of yours, to make a payment on a loan to prevent you from losing your house, to modify your home or vehicle to accommodate the special needs of yourself or a dependant as a result of a severe disability or to pay for expenses associated with a death, funeral or burial.

- **Severe financial hardship**

To be eligible for this condition of release, you must have received Commonwealth income-support payments continuously for 26 weeks and be unable to meet reasonable and immediate family living expenses. Only one lump-sum payment can be made in any 12 month period. The minimum amount that can be paid is \$1,000 (unless your superannuation interest is less than this amount) and the maximum amount is \$10,000.

- **Temporary incapacity**

You may be eligible to receive a benefit if you have temporarily ceased to be gainfully employed due to physical or mental ill-health, but are not permanently incapacitated. The benefit must be paid as a non-commutable income stream – that is, as regular payments.

You will need to seek professional advice as to your eligibility for this condition of release.

- **Permanent incapacity:**

You may be eligible to receive all your benefits if you are permanently incapacitated. Permanent incapacity means that you are unlikely, because of ill-health (whether physical or mental) to ever engage in gainful employment of the type for which you are reasonably qualified by education, training or experience. At least two medical practitioners will need to certify this.

You will need to approach the Trustee of the Fund for further information about your eligibility for this condition of release.

- **Death**

The Trustees may pay your Member's Benefit on your death.

**Nominations - death benefits**

You may elect that the Trustee exercises its discretion to decide who is to be paid your death benefit. If you do not give the Trustee any direction at all then the Trustee will decide this. However, you can give a Nomination to the Trustee which is available from the Trustee. However, you should seek professional advice before signing.

If you want to leave money to someone who is not your spouse or your SIS dependant, you must nominate your legal personal representative in your binding nomination and the person you wish to leave money to in your will. This may raise tax or legal consequences and you should consult your financial adviser or the person who prepares your will in relation to these issues.

Your dependant is your spouse or de facto spouse, your child (including step child and adult child) and any other person (whether related to you or not) with whom you have an interdependency relationship. Two persons (whether or not related by family) have an "interdependency relationship" if:

- (a) they have a close personal relationship;
- (b) they live together;
- (c) one or each of them provides the other with financial support; and
- (d) one or each of them provides the other with domestic support and personal care.

If two persons (whether or not related) have a close relationship, but do not satisfy these requirements because either or both of them suffer from a physical, intellectual or psychiatric disability, they are considered to have an interdependency relationship.

The following matters are to be taken into account when determining whether two people have an interdependency relationship, or had an interdependency relationship immediately before death:

- (a) all of the circumstances of the relationship between the persons, including (where relevant):
  - (i) the duration of the relationship;
  - (ii) whether or not a sexual relationship exists;
  - (iii) the ownership, use and acquisition of property;
  - (iv) the degree of mutual commitment to a shared life;
  - (v) the care and support of children;
  - (vi) the reputation and public aspects of the relationship;
  - (vii) the degree of emotional support;
  - (viii) the extent to which the relationship is one of mere convenience; and
  - (ix) any evidence suggesting that the parties intend the relationship to be permanent.
- (b) the existence of a statutory declaration signed by one of the persons to the effect that the person is, or (in the case of a statutory declaration made after the end of the relationship) was, in an interdependency relationship with the other person.

Each one of the above need not be met and the extent to which any one matter exists or does not exist does not necessarily of itself confirm or exclude an interdependency relationship.

The provisions of the SISA and regulations regarding Binding Death Benefit Nominations do not apply to self-managed superannuation funds. However, you may still make a Binding Death Benefit Nomination under the Governing Rules of the Fund. If you want the Trustee to pay your benefit on your death to the people you choose by making a Binding Death Benefit Nomination you must:

- (a) complete a binding nomination form telling the Trustee who you want them to pay a benefit to and in what proportions; and
- (b) renew your binding nomination regularly.

If you have a valid binding death benefit nomination at the time of your death the Trustee will follow it even if your circumstances have changed. You should therefore review as your circumstances change or those of the nominated beneficiaries.

If you do not make a binding nomination or if a nomination is invalid or if you make a Non-Binding Nomination, the Trustee will choose to whom your benefits are paid. In this event the Trustee may take your wishes into account, however, will not be bound by them. The Trustee will consider the circumstances of all of your dependants in choosing to whom the benefit is paid and in what proportions.

When your Member's Benefit becomes payable it will be paid as a lump sum benefit or as a pension. You should discuss these matters with your professional adviser before making any nomination. If you have previously signed a death benefit nomination, you should review it and it is best to make a new one especially if the Superannuation Trust Deed is amended or updated.

It is not compulsory to make a binding death benefit nomination and you should not do so without professional advice. That advice should include advice from the person who prepares your Will.

## **PENSIONS**

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The Federal Government "Simplified Superannuation" reforms altered the number and type of pensions that could be paid by superannuation funds. The Trustee must give Members a separate PDS relating to their pension before it commences. You should seek professional advice before asking the Trustee to commence paying you a pension.

### **Pensions that commenced before 1 July 2007**

Pensions that commenced before 1 July 2007, the Trustee may generally continue to pay them under the pension payment standards that operated before that date.

### **Pensions that commenced between 1 July and 19 September 2007**

Pensions that commenced between 1 July 2007 and 19 September 2007 may continue to be paid under the previous standards or the new standards.

### **Pensions that commenced after 19 September 2007**

All pensions commencing after 19 September 2007 must meet the minimum pension standards that were introduced with the Simplified Superannuation reforms and these require that the pensions must satisfy all of the following requirements:

1. The pension must be account-based, except in limited circumstances.
2. A minimum amount must be paid at least annually. See *infra*.
3. The capital supporting the pension cannot be increased using contributions or rollover amounts once the pension has started.
4. The pension can be transferred only if a Member dies, to one of their dependants.
5. Neither the capital value of the pension nor the income from it as security can be used for borrowing.
6. Before commuting a pension, a minimum amount must be paid in certain circumstances.

There are no maximum draw down limits for these pensions (that commenced after 19 September 2007) except for transition to retirement pensions. See below for further details about these requirements.

### **Account-based pension**

An account-based pension refers to a pension where an account balance is attributable to the Member. That is, the amount supporting the pension is allocated to a separate account for each Member. All newly commenced pensions paid by your fund (post 1 July 2007) will be account-based.

### **Minimum annual payments for super income streams**

Once you start a pension or annuity on or after 1 July 2007, a minimum amount is required to be paid each year. There is no maximum amount other than the balance of your super account, unless it is a transition to retirement pension in which case the maximum amount is 10% of the account balance.

The minimum annual payment is worked out by multiplying the member's pension account balance by a percentage factor and rounded to the nearest 10 whole dollars.

The following table shows the minimum percentage factor (indicative only) for each age group.

Age	Minimum % withdrawal
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or more	14%

Note that these withdrawal factors are indicative only. To determine the precise minimum annual payment, see the pro-rating, rounding and other rules in the SISR.

#### **Certain payments cannot be used to boost a Member's pension**

After a pension has begun to be paid to the Member no further amounts can be added to the capital from which the pension is being paid. This means that the Member's pension account cannot be increased by contributions or rollover amounts; however, a new pension may be commenced from another part of your Member's account.

#### **Transfer of pension**

If a Member dies the pension can only be transferred or paid to another person who is a dependant of the Member, which includes:

- a surviving spouse or de facto spouse;
- a child of the deceased who is under 18 years of age;
- a child of the deceased aged between 18 years and 25 years of age, who was financially dependent on the deceased;
- a child of the deceased aged 18 years of age or over, who has a permanent disability;
- any person who relied on the deceased for financial maintenance at the time of their death; or
- any person who lived with the deceased in a close personal relationship where one or both of them provided financial and domestic support and personal care.

You should ensure that you sign the necessary documents in respect of the payment of the pension after your death and obtain professional advice in that regard.

#### **Capital value of pension cannot be used as security for borrowings**

When applying for loans, Members cannot use the capital value of the pension or the income from it as security for a borrowing.

#### **Minimum payment prior to commutation**

If a pension that commenced after 19 September 2007 is to be commuted, at least a minimum amount must be paid from the pension beforehand. The minimum payment(s) must occur in the financial year in which the commutation is to take place. The amount paid must be at least the pro-rata of the minimum annual payment amount.

For pensions that commence in the same financial year in which they are commuted, the pro-rata minimum payment amount is calculated based on the number of days from the start date of the pension to the day it is commuted.

Pro-rata minimum payment amount = minimum annual payment amount x days from start of pension to day pension commuted / 365 (or 366).

The requirement to make a minimum payment prior to commutation does not apply in circumstances where the commutation arises on the death of a Member or where the purpose of the commutation is to:

- pay a superannuation contributions surcharge liability;
- give effect to a payment split under the family law provisions; or
- give effect to a client's right to return a financial product under the Corporations Act 2001.

'Commutation' generally means withdrawing some or all of your money as a lump sum. Some retirement pensions do not allow the withdrawal of a lump sum. These are non-commutable pensions.

### **Transition to retirement pensions**

The transition to retirement measure allows Members who have reached their preservation age, to have access to their superannuation benefits without having to retire or leave their job. This allows Members access to their superannuation by drawing down transition to retirement pensions.

Pensions which commenced before 1 July 2007 and that complied with the transition to retirement rules at the time satisfy the new requirements and may continue to be paid under the former rules.

All pensions commencing on or after 1 July 2007 to be paid by the Fund must meet these requirements:

- it must be an account-based pension. This means an account balance must be attributable to the recipient of the pension;
- the payment of a minimum amount to be made at least annually – this is a percentage of the account balance where the Member is under age 65. (See the table on the previous page);
- the total payments made in a financial year must be no more than 10% of the account balance (at the start of each year). This is the maximum amount of pension benefits that can be drawn down each year;
- restrictions on the commutation of the pension (except in limited circumstances);
- there is no provision made for an amount or percentage to be left over when the pension ceases;
- the pension can be transferred only on the death of the Member to one of their dependants, or cashed as a lump sum to a dependant, non-dependant or the Member's estate; and
- the capital value of the pension and the income from it cannot be used as security for borrowing.

### **Commutation of transition to retirement pensions**

If a transition to retirement pension is commuted, the resulting lump sum benefit cannot be taken in cash unless the Member satisfies a condition of release with a 'nil' cashing restriction (for example, retirement) or the purpose of the commutation is to:

- cash an unrestricted non-preserved benefit;
- pay a superannuation contributions surcharge liability;
- give effect to a payment split under family law; or
- ensure a payment can be made to give effect to a release authority or transitional release authority.

### **Retirement after commencing a transition to retirement pension**

If you retire or qualify for another condition of release with a 'nil' cashing restriction (for example if you have a terminal medical condition or a permanent incapacity) after the commencement of a transition to retirement pension, you have the following options:

- continue to receive the pension;
- commute the pension to purchase another pension;
- commute the pension and take the resulting lump sum benefit in cash;
- commute the pension and roll it back into superannuation.

The options available vary depending on the type of pension that was taken and the time since its commencement. Members should seek professional advice about these options.

## **CONTRIBUTIONS**

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There are a number of terms explained:

### **Concessional Contributions**

Concessional contributions are 'before-tax' contributions. Generally, these are employer contributions and personal contributions that you notify your Fund you intend to claim as an income tax deduction. The latter because, for example, you are self-employed. For personal contributions, you must give Notice to the Trustee in the prescribed ATO form and within the prescribed time. Ask your professional adviser for the form and time limits. These contributions are taxed at 15% on receipt by the Trustee.

### **Concessional contributions cap**

Concessional contributions include:

- employer contributions (including contributions made under a salary sacrifice arrangement);
- personal contributions claimed as a tax deduction by a self-employed person.

If you are a member of more than one fund, all concessional contributions made to all of your funds are added together and counted towards the concessional contributions cap.

Income year	Amount of cap
2015-16	\$30,000
2014-15	\$30,000

#### **Non-concessional contributions cap**

Non-concessional contributions include personal contributions for which you do not claim an income tax deduction.

Income year	Amount of cap
2015-16	\$180,000
2014-15	\$180,000

People under 65 years old may be able to make non-concessional contributions of up to three times their non-concessional contributions cap over a three-year period. This is known as the 'bring-forward' option. The bring-forward cap is three times the non-concessional contributions cap of the first year.

#### **CGT cap amount**

Under the CGT cap, you can during your lifetime exclude non-concessional superannuation contributions from the non-concessional contributions cap up to the CGT cap amount. The CGT cap applies to all excluded CGT contributions, whether they were made between 10 May 2006 and 30 June 2007 or after 30 June 2007.

You may elect for all or a part of superannuation contributions made for you from the proceeds of the disposal of small business assets under the small business CGT concessions regime to be counted excluded from your non-concessional contributions cap, and to be counted under a lifetime CGT cap. You will need to obtain professional advice if you wish to do this.

The CGT cap amount was \$1,355,000 for the income year 2014-15 and \$1,395,000 for the income year 2015-16.

#### **Low rate cap amount**

The application of the low rate threshold for superannuation lump sum payments is capped. The low rate cap amount is reduced by any amount previously applied to the low rate threshold.

Income year	Amount of cap
2015-16	\$195,000
2014-15	\$185,000

#### **Untaxed plan cap amount**

The untaxed plan cap amount limits the concessional tax treatment of benefits that have not been subject to contributions tax in a superannuation fund. The untaxed plan cap amount applies to each superannuation fund from which a person receives superannuation lump sum Member benefits. It is also used to calculate the excess untaxed roll-over amount.

Income year	Amount of cap
2015-16	\$1,395,000
2014-15	\$1,355,000

#### **Excess contributions Charge – Concessional Contribution Cap**

For the 2013–14 financial year onwards, excess concessional contributions are not subject to excess contributions tax. If your contributions exceed the cap, the amount will now be included in your assessable income and taxed at your marginal tax rate, rather than the excess concessional contributions tax rate of 31.5%.

You will also have to pay the excess concessional contributions (ECC) charge on the increase in your tax liability. This charge is applied to recognise that the tax on excess concessional contributions is collected later than normal income tax.

To reduce your tax liability, the tax office will apply a 15% tax offset to account for the contributions tax that has already been paid by your super fund.

You may elect to withdraw up to 85% of your excess concessional contributions from your superannuation fund to help pay your income tax assessment when you have excess concessional contributions. Any excess concessional contributions withdrawn from your fund will also no longer count towards your non-concessional contributions cap.

### **Excess contributions Charge – Non-Concessional Contribution Cap**

You can choose how your excess non-concessional (after-tax) contributions are taxed if you exceed the cap from the 2013-14 financial year and later years.

You have a choice in how your contributions in excess of the non-concessional cap are taxed. Your election is irrevocable once you have made it.

#### **1. Release amounts from superannuation**

If you choose this option you are electing to release all of your excess non-concessional contributions and 85% of your associated earnings amount from your superannuation fund(s). The ATO will issue a release authority to your superannuation fund(s) and the fund will pay this amount to you. This option means that you will have the full associated earnings amount stated in your determination included in your assessable income to be taxed at your marginal rate of tax. A non-refundable tax offset equal to 15% of your associated earnings will be applied to recognise any tax paid by your superannuation fund

#### **2. Pay excess non-concessional contributions tax on the excess amount**

If you choose not to release your excess non-concessional contributions from your superannuation fund(s), you will receive an excess non-concessional contributions tax assessment where the excess amount will be taxed at the highest marginal tax rate.

## **ACCEPTANCE OF CONTRIBUTIONS**

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The Trustee cannot accept contributions unless the Member's tax file number has been quoted to the Trustees.

### **Mandated Employer Contributions**

Mandated employer contributions are those made by your employer under a law or an industrial agreement for the benefit of a Fund Member and include superannuation guarantee contributions.

The Trustee can accept mandated employer contributions for a Member at any time irrespective of your age or the number of your hours worked.

### **Compulsory Employer**

The superannuation guarantee (SG) is 9.5%. Generally, this does not apply if the employee earns less than \$450 per month or if the employee is under 18 years of age and works part-time unless required. Payment is required within 28 days of the end of each quarter, ie. 30 September, 31 December, 31 March and 30 June.

### **For Members under 65 Years of Age**

The Fund can accept any contributions made in respect of a Member under 65. If the Member is under the age of 18 at 30 June, they would need to derive eligible employment income or business income in the income year before income tax deductions for superannuation can be claimed.

### **Members Aged 65 but Less than 70**

For a Member in this age group, the Fund can accept personal contribution or employer contributions (that are not mandated employer contributions) during a financial year provided that the Member can demonstrate that the Member is gainfully employed on at least a part-time basis during that financial year.

*'Gainfully employed on at least a part-time basis'* means the member is gainfully employed for at least 40 hours in a period of 30 consecutive days in each financial year in which the contributions are made. Unpaid work does not meet the definition of 'gainfully employed'.

### **Members aged 70 but less than 75**

The Trustee may only accept employer contributions and personal contributions made by the member.

You must have the member's TFN and they must be gainfully employed on at least a part-time basis (see above). For a member turning 75, the contribution must be received no later than 28 days after the end of the month that the member turns 75.

### **Members Aged 75 or over**

The Trustee may only accept mandated employer contributions, even if you are still working.

### **SuperStream**

SuperStream is a standard for processing superannuation data and payments electronically. It must be used by employers, self-managed superannuation funds and APRA-regulated funds.

The data is in a standard format so it can be transmitted consistently across the super system – between employers, funds, service providers and the ATO. It's linked to the payment by a unique payment reference number.

This means an employer can make all mandatory contributions in a single transaction, even if the contributions are going to multiple super funds.

Small employers (19 or fewer employees) must meet the SuperStream standard by 30 June 2016. Larger employers should have been using SuperStream since 31 October 2015. If the members of this SMSF are employees of a large employer, the SMSF should be set up to receive contributions via the SuperStream standard.

The exceptions to the use of SuperStream if your employer is a related-party employer and you are making contributions to your own self-managed superannuation fund eg. if you are an employee of a family business and your super guarantee contributions go to your SMSF.

### **Eligible Spouse Contributions**

If you make contributions to a complying superannuation fund or a retirement savings account on behalf of your spouse (married or de facto) who is earning a low income or not working, you may be able to claim a tax offset.

You will be entitled to a tax offset of up to \$540 per year if you meet all of the following conditions:

- the sum of your spouse's assessable income, total reportable fringe benefits amounts and reportable employer super contributions was less than \$13,800
- the contributions were not deductible to you
- the contributions were made to a super fund that was a complying super fund for the income year in which you made the contribution
- both you and your spouse were Australian residents when the contributions were made
- when making the contributions you and your spouse were not living separately and apart on a permanent basis.

The tax offset for eligible spouse contributions can't be claimed for super contributions that you made to your own fund, then split to your spouse. That is called a rollover or transfer, not a contribution.

### **Superannuation Contributions Splitting**

When you split your contributions, you transfer or roll over a portion of contributions from your superannuation account, to your spouse's superannuation account.

The 'spouse' of a Member may be either:

- a person with whom the Member is in a relationship that is registered under certain state or territory laws (this includes marriages and registered same-sex relationships); or
- a person of the same or of a different sex, who lives with the Member on a genuine domestic basis in a relationship as a couple (known as a de-facto spouse).

You can only apply to split contributions if your spouse is either:

- less than their preservation age; or
- between their preservation age and 65 years and not retired.

You can ask your superannuation fund to transfer to your spouse up to 85% of the financial year's concessional contributions. Taxed splittable contributions are concessional contributions made to your superannuation fund and include:

- employer contributions (including salary sacrifice contributions)
- personal contributions you have advised your Fund you will use to claim as a tax deduction (for example, because you are self-employed).

They can also include other amounts such as amounts allocated from your superannuation fund's surplus to meet an employer's liability to make contributions. Contact the Trustee for details of the taxed splittable contributions that were or may be made to your superannuation account.

The amount of concessional contributions you ask to split cannot be more than the concessional contributions cap for the financial year.

### **Superannuation co-contribution**

The superannuation co-contribution is a payment from the Federal Government to assist eligible individuals to save for their retirement. If you are eligible and make personal superannuation contributions, the government will match your contribution with a superannuation co-contribution up to certain limits. You should speak with your Trustee or your professional advisers for more information about co-contributions.

### **Information About Amounts Debited to the Fund and Your Account**

Under the Governing Rules, the Trustee may debit your account with expenses to pay taxes, administrative and other expenses, to pay for insurance policies or premiums for third party annuities and other taxes in accordance with the governing rules, subject to complying with the law. The Trustee can create an equalisation account which is to be used to stabilise the investment earnings of the Fund and to provide for expenses as the Trustee considers appropriate, however, this is subject to superannuation law.

## **INVESTMENTS**

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The Trustee must determine an investment strategy that will indicate how the Trustee will invest. The strategy must reflect the purpose and circumstances of the Fund and have regard to investing in a way to maximise Member returns bearing in mind the risk in return, diversification, the liquidity and liabilities. An investment strategy is a plan for making holding and realising Fund investments that reflect the Fund's objectives and circumstances.

All investments must be made in accordance with the investment strategy. The Trustees have a defence to an action for loss or damage suffered as a result of the Trustees making an investment where the Trustees can show that the investment was made in accordance with an investment strategy formulated in accordance with superannuation law. Investments must be made and maintained on a strict commercial basis. Income should also reflect a true market rate of return.

Generally, the Fund cannot lend or invest more than 5% of the Fund's total assets in related parties of the Fund although there are some very limited exceptions, including allowing an exemption for business real property which is subject to a lease between the Fund and a related party of the Fund and limited exemptions for certain investments in related non-g geared Trusts or companies.

### **Auditor**

The Fund is required to have its financial accounts and statements audited each year by an approved auditor. The approved auditor is also required to assess the Fund's overall compliance with the law. The auditor must also notify the Trustees of any concerns they have about the financial position of the Fund or compliance with the law. If they are not satisfied that the Trustees have taken appropriate action to rectify any issues raised they must inform the ATO.

## **INFORMATION ABOUT RISKS ASSOCIATED WITH THE FUND**

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The Fund must invest in accordance with its investment strategy determined by the Trustees.

An investment strategy sets out the fund's investment objectives and your plan to achieve them. It provides you and the other trustees with a framework for making investment decisions to increase member benefits for their retirement. Your investment strategy needs to take into account the personal circumstances of all the Fund's Members, including risk tolerance and attitudes to risk and age. One strategy may not suit every member, especially where the fund consists of people at different stages of life. In these situations you need to select and manage investments well enough so they grow in value and meet the investment objectives of all members.

You need to make asset allocation decisions by choosing from a range of investment assets.

Trustees choose the investments in accordance with their investment strategy. If the Trustees offer more than one strategy you may choose the appropriate strategy but you cannot choose investments the Trustees are to make within the strategy.

The value of the Fund's assets may be increased or reduced by changes in asset prices. Accordingly, the value of your benefit may be reduced. This could affect the Trustees' capacity to make benefit payments to you.

In some cases if your benefit is a pension then there may be a decrease in benefit or pension amounts payable to you if the value of the assets in the Fund decreases.

In other cases, if you receive a complying pension, the Trustees may bear the risk of the asset being insufficient to make payments to you.

There are risks in choosing to invest in superannuation as superannuation and taxation laws may change. There are also risks in choosing particular investments as all investments are subject to varying risks and generally all change in value.

The significant risks of investing generally include inflation that may exceed the return on your investment. Individual assets can and do fall in value for many reasons such as changes in the internal operations or management of the Fund or company in which the money is invested or in its business environment.

Market risks, market sentiment and economic, technological, political and legal conditions can and do change and this can mean that changes in the value of investment markets can affect the value of the investments in the Fund.

Interest rate risks can arise where there are changes in interest rates which can have a positive or negative impact directly or indirectly on investment value or returns.

There are currency risks if investments are in other countries and if their currencies change in value relatively to the Australian Dollar, the value of the investment can change.

Derivatives can be used to reduce risk, or to gain exposure to other types of investments. Risks associated with these derivatives include the value of the derivative failing to move in line with the underlying asset, potential liquidity of the derivative or the Fund may not be able to meet payment obligations as they arise.

Under the Governing Rules, the Trustees are not liable for any loss or detriment to the Fund unless it is due to the Trustees' dishonesty or wilful or reckless failure to exercise the degree of care and diligence necessary. The Trustees are to be indemnified by the Fund to the maximum extent the law permits.

The Trustee of the Fund has primary responsibility to ensure the Fund's money has been invested appropriately. Is the Trustee confident and a knowledgeable investor? You should consider if the Fund will do as well as or better than other superannuation funds after costs? You need to ensure you have enough super savings to make your Fund viable.

Changes to superannuation law may affect your ability to access your benefit. Superannuation benefits may be split by agreement or by Court Order with your spouse if you and your spouse permanently separate.

Changes can occur to the taxation of superannuation which may affect the value of your benefit.

If the Trustees borrow in accordance with superannuation law, the Fund may, if the loan is not repaid or terms of the loan not complied with, lose the asset purchased with the borrowed funds or part of its value. See further details about borrowing below.

The Fund must always comply with the definition of a self-managed superannuation fund and comply with superannuation law. This amongst other things requires that generally either the Trustees must be identical to the Members or that any corporate Trustee has as its director(s) the identical Member(s). Failure by the Trustees to comply with superannuation and tax law could affect your benefits adversely.

As a Member and Trustee or a director of a corporate Trustee company, you may not understand your obligations possibly resulting in unintended costs or fines and potential loss of the Fund's complying status.

The Trustee or one of them may defraud the Fund and its Members.

If a Trustee dies, investments need to be transferred to the names of the appropriate Trustees. This may result in tax or stamp duty being payable depending on the types of investments being transferred.

### **Borrowing**

The SIS Act prohibits borrowing by superannuation funds except in limited circumstances. Trustees are able to borrow for a maximum of 90 days to meet benefit payments due to Members as long as the borrowing does not exceed 10% of the Fund's total assets.

Under section 67A and 67B of the Superannuation Industry (Supervision) Act 1993 (SIS Act) the Trustees are permitted to borrow to invest in limited circumstances. Briefly these sections require that borrowed money must be applied to the acquisition of an asset that is otherwise permitted to be acquired by the Trustees; it must be a "single acquirable asset"; the loan must be a limited recourse loan and the lender's security is limited to the asset bought with that loan; the asset must not be an in-house asset or other asset not permitted under superannuation law; the asset must be held on trust for the Fund so that the Fund has a beneficial interest in the asset with the legal title being held by a separate Trustee; and the Fund must have a right to acquire the legal title of the asset on payment of one or more instalments.

The Governing Rules of the Fund permit borrowing, however, the provision must be read in conjunction with other sections of the SIS Act such as the sole-purpose test, investment strategy requirement, related-party acquisition rules, in-house asset rules, prohibition against charging and arm's length dealing requirements.

It is recommended that appropriate tax and financial advice, including further information about the risks of gearing, are sought before implementing this type of strategy. See also the ATO website.

### **Government Age Pension**

If you are on or intend to apply for a Government pension you should obtain financial advice before doing so to determine how your superannuation may affect a government pension.

## **TAXATION**

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You should seek taxation advice from your accountant. Below is some information about tax and superannuation, however, professional advice should always be sought.

### **Tax on Payments from a Superannuation Fund**

The Product Disclosure Statement refers to taxation. Below is a table with more details.

You may have an untaxed element if the benefit comes from an untaxed super fund, or the fund pays the proceeds of a life insurance policy.

See the tables below for tax on superannuation benefits and your tax adviser for more information and professional advice. This table is current from 7 March 2016. See your professional adviser for up to date details.

**Super lump sum tax table**

<b>Income component derived in the income year</b>	<b>Age at the date payment is received</b>	<b>Amount subject to tax</b>	<b>Maximum rate of tax M/=Medicare</b>
Member benefit - taxable component - taxed element	Under preservation age	Whole amount	20% (plus M/Levy)
	At or above preservation age and under 60	Amount up to the low rate cap amount	Nil
		Amount above the low rate cap amount	15% (plus M/Levy)
	Aged 60 or above	Nil - amount is non-assessable and non-exempt income	N/A
Member benefit - taxable component - untaxed element	Under preservation age	Amount up to untaxed plan cap amount	30% (plus M/Levy)
		Amount above untaxed plan cap amount	47% (plus M/Levy)
	At or above preservation age and under 60	Amount up to the low rate cap amount	15% (plus M/Levy)
		Amount above the low rate cap amount and up to the untaxed plan cap amount	30% (plus M/Levy)
		Amount above the untaxed plan cap amount	47% (plus M/Levy)
	Aged 60 or above	Amount up to the untaxed plan cap amount	15% (plus M/Levy)
		Amount above the untaxed plan cap amount	47% (plus M/Levy)
	Death benefit lump sum benefit paid to non-dependants - taxable component - taxed element	Any	Whole amount
Death benefit lump sum benefit paid to non-dependants - taxable component - untaxed element	Any	Whole amount	30% (plus M/Levy)
Death benefit lump sum benefit paid to dependants - taxable component - taxed and untaxed elements	Any	None	Nil
Rollover super benefits - taxable component - taxed element	Any	Nil - amount is non-assessable and non-exempt income	N/A
Rollover super benefits - taxable component - untaxed element	Any	Amount up to the untaxed plan cap amount is non-assessable income and is non-exempt income	N/A
		Amount above the untaxed plan cap amount	47% (plus M/Levy)
Super lump sum benefits less than \$200	Any	None	Nil
Super lump sum benefit (terminally ill recipient)	Any	None	Nil

### Element taxed in the fund of a super income stream

The table below summarises the taxation of a super income stream paid with an **element taxed in the fund**. The tax-free component is not included. This component is not assessable and not exempt income in all cases.

Age of recipient	Income stream
Age 60 or above	Not assessable, not exempt income
At or above preservation age and under 60	Taxed at marginal tax rates Tax offset of 15% is available
Under preservation age	Taxed at marginal tax rates, with no tax offset Tax offset of 15% is available if a disability super benefit

The Medicare levy (2%) will apply if amounts are assessable.

### Element untaxed in the fund of a super income stream

The table below summarises the taxation of a super member income stream paid with an **element untaxed in the fund**. The tax-free component is not included. This component is not assessable and not exempt income in all cases.

Age of recipient	Income stream
60 years old or over	Taxed at marginal rates, with a 10% tax offset
At or above preservation age and under 60	Taxed at marginal rates, with no tax offset
Under preservation age	Taxed at marginal rates, with no tax offset

Levies (2%) will apply to assessable amounts.

### Payment of Death benefits

The benefit may be paid to the Member's estate or to their spouse or child if under 18 or if the child is under 25 and financially dependent on the Member or if the child is permanently disabled (see meaning of spouse in the short PDS).

### Death benefits paid to non-tax dependants

Death benefit payments to non-tax dependants must be paid as a lump sum benefit. The taxable component (taxed element) of a death benefit paid to a non-dependant will be taxed at your marginal tax rate or 15%, whichever is lower, plus levies. The taxable component (untaxed element) is taxed at your marginal tax rate or 30% - whichever is lower, plus levies.

### Death benefits paid to your estate

If the death benefit is paid to your legal personal representative for distribution through your estate, any tax payable will depend on how the death benefit is distributed between the beneficiaries in the estate by the executor.

### Terminal illness benefits

No tax is payable on these complying benefits.

### Expenses

The Trustee can claim tax deductions in respect of certain expenses incurred by the Fund and this will reduce the tax payable.

### Tax File Numbers

The Trustee cannot accept any member contributions if you have not given the Trustee your TFN. Contributions that cannot be accepted include those you make and those made by your spouse on your behalf.

If the Trustee receives such a contribution where you have not provided your TFN, then the Trustee must return the contribution within 30 days of becoming aware that the Trustee should not have accepted the contribution. However, the contribution does not have to be returned if, within 30 days of it being made, you provide the Trustee your TFN.

### **What will happen if I don't give my TFN to the Trustees?**

If the Trustees do not have your TFN:

- The Trustees will have to pay additional income tax (called 'TFN contributions tax') on some types of contributions
- The Trustees may not be able to accept some types of contributions, and
- You may miss out on superannuation co-contributions.

## **INFORMATION ABOUT LABOUR STANDARDS, ENVIRONMENTAL, SOCIAL OR ETHICAL CONSIDERATION**

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The Trustees will inform you if labour standards or environmental, social or ethical considerations are or will be taken into account when the Trustees select, retain or realise an investment. **Unless you are notified otherwise the Trustees do not take any such considerations into account, however, the Trustees may incorporate those things into their investment strategy.**

## **ADDITIONAL INFORMATION-CONTACT DETAILS**

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If you require further information concerning the Fund or the Governing Rules or your rights as a Member or the Fund's performance you may contact the Trustees. The issuer of the financial product is the Fund by its Trustees. The contact details of the Trustees will be either you (if there are individuals as Trustees) or the Company of which you are a director, if there is a corporate trustee. The contact details of the Fund are therefore known to you if they are not set out in this document.

## **ADDITIONAL ATTACHMENTS WHERE THE FUND HAS PREVIOUSLY BEEN ESTABLISHED**

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You acknowledge, if the Fund has been previously operating, that you have read the annexures to this PDS including the financial statements and investment strategy or strategies and that the Trustee has given to you any other information that may be material to a decision to join the Fund if you were or are a new member.

## **COMPLAINTS**

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If you have a complaint you should notify the Trustees in writing of it. Redress is via the Courts if the issue cannot be resolved.

## **COOLING OFF PERIOD**

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If you become entitled to a pension then a new PDS should be given to you at that time by the Trustees and it will set out any cooling off rights that may apply (a 14 day cooling off period usually applies in that event). There is no cooling off period for new Members when joining the Fund.

## **COSTS, COMMISSIONS, EXPENSES OF THE FUND**

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The Trustees do not charge for their services, however, they may pay all appropriate expenses and outgoings from the Fund. These are usually debited to your Member account in the Fund on a pro-rata basis unless there are different investment strategies for each Member, in which case those expenses and outgoings would normally be debited to the appropriate Member's account.

## **INVESTMENTS**

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The Trustees must formulate an investment strategy and that strategy including the investments should be provided to you. **If the Fund has been operating and you are a new Member then the Trustee must provide these to you with a PDS when you join the Fund.**

## GOVERNMENT ANNOUNCED CHANGES 2016-17

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On 3 May 2016, the Federal Treasurer introduced a package of superannuation reforms in his Budget speech including:

- “Measures impacting on higher income earners and those with a capacity to make additional contributions”
  - Introduces a \$1.6 million cap on superannuation balances to limit tax-free investment earnings for those in the pension phase from 1 July 2017 and earnings on amounts in excess of \$1.6 million will be taxable at 15%. Member balances in excess of \$1.6 million will need to either be
    - transferred to accumulation phase; or
    - withdrawn from superannuation.
  - Introduces a lifetime cap of \$500,000 for non-concessional superannuation contributions taking into account all non-concessional contributions made on or after 1 July 2007 and commencing at 7:30PM AEST on 3 May 2016
  - Applies a 30% tax on contributions for those earning \$250,000 or more (current threshold \$300,000) and reduces concessional contributions cap to \$25,000 (currently \$35,000 for those aged 49 and over and \$30,000 for those aged less than 49), from 1 July 2017.
- “Integrity’ measures”
  - Removes the anti-detriment provision in respect of death benefits from superannuation. This essentially provided for a refund of contributions tax paid in certain circumstances, from 1 July 2017.
  - Removes the tax exemption on earnings of assets supporting Transition to Retirement Income Streams, which allows a tax-free drawdown from superannuation whilst continuing to work. From 1 July 2017
- “Measures supporting low income earners or allowing for limited additional or more flexible contributions arrangements”
  - Introduces the Low Income Superannuation Tax Offset to essentially continue the existing Low Income Superannuation Contribution scheme that compensates low income earners for the 15% contributions tax for those earning less than \$37,000 from 1 July 2017
  - Allows catch-up concessional contributions for individuals with unused amounts within their annual concessional contributions cap for those with a superannuation balance of less than \$500,000 from 1 July 2017
  - Removes restrictions for those aged 65 to 74 from making superannuation contributions from 1 July 2017
  - Raises the threshold for the low income spouse contributions threshold from \$10,800 to \$37,000 from 1 July 2017
  - Removes restrictions to allow all individuals up to the age of 75 to claim an income tax deduction for contributions from 1 July 2017

## FURTHER INFORMATION

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From 1 July 2017, the Government will introduce a \$1.6 million cap on the total amount of superannuation that can be transferred into a tax-free retirement account.

- The cap will index in \$100,000 increments in line with the consumer price index, as the Age Pension assets threshold does.
- Superannuation savings accumulated in excess of the cap can remain in an accumulation superannuation account, where the earnings will be taxed at 15%.
- A proportionate method which measures the percentage of the cap previously utilised will determine how much cap space an individual has available at any single point in time.
  - For example, if an individual has previously used up 75% of their cap they will have access to 25% of the current (indexed) cap
  - Subsequent fluctuations in retirement accounts due to earnings growth or pension payments are not considered when calculating cap space.
- Individuals already in retirement as at 1 July 2017 with balances in excess of \$1.6 million will need to either:
  - transfer the excess back into an accumulation superannuation account; or
  - withdraw the excess amount from their superannuation.

- Individuals who breach the cap will be subject to a tax on both the amount in excess of the cap and the earnings on the excess amount.

## **LIFETIME NON-CONCESSIONAL CAP**

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From 7:30 pm (AEST) on 3 May 2016, the Government will introduce a \$500,000 lifetime cap on non-concessional contributions taking into account all non-concessional contributions made since 1 July 2007. This is the date from which the Australian Taxation Office has reliable contribution records. The cap will apply to individuals aged up to 75, and will be indexed in \$50,000 increments in line with wages.

If an individual has exceeded the cap prior to commencement, they will be taken to have used up their lifetime cap but will not be required to take the excess out of the superannuation system.

If after commencement, an individual makes contributions that cause them to exceed their cap they will be notified by the Australian Taxation Office to withdraw the excess from their superannuation account.

Individuals who choose not to withdraw will be subject to the current penalty arrangements.

## **MORE FLEXIBILITY AND CHOICE FOR OLDER AUSTRALIANS**

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From 1 July 2017, the rules that limit the ability of working Australians aged under 75 to make contributions to their own or their spouse's superannuation will change. Specifically, the Government will:

- remove the requirement that an individual aged 65 to 74 must meet a work test before making voluntary or non-concessional contributions to superannuation; and
- allow individuals to make contributions to a spouse aged under 75 without the need for the spouse to meet a work test.

In addition, individuals aged 65 to 74 will benefit from other changes that improve the flexibility of the superannuation system. This includes:

- the carry forward of any unused concessional contributions cap, on a rolling basis for up to five years, where their superannuation balance is less than \$500,000;
- allowing non-concessional contributions, subject to a \$500,000 lifetime cap; and
- expanding the eligibility for the 18% spouse tax offset up to \$540 that an individual can claim if they make a superannuation contribution for a spouse who earns less than \$37,000 per annum.

## **IMPROVE INTEGRITY OF TRANSITION TO RETIREMENT INCOME STREAM**

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To ensure access to transition to retirement income streams is primarily for the purpose of substituting work income rather than tax minimisation, the tax exempt status of income from assets supporting transition to retirement income streams will be removed from 1 July 2017.

Earnings from assets supporting transition to retirement income streams will now be taxed concessional at 15%. This change will apply irrespective of when the transition to retirement income stream commenced.

## **REFORMS TO BE PASSED**

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These reforms are subject to introduction of legislation and passing by both Houses of Parliament and Royal Assent.

