

PRODUCT DISCLOSURE STATEMENT FOR THE RAY JOHNSON SCRAP SUPERFUND

Introduction

This Product Disclosure Statement ("PDS") is prepared on 07 June 2017 by RAY JOHNSONS SCRAP TYRE DISPOSALS PTY LTD ACN 608 158 096 as trustee for the RAY JOHNSON SCRAP SUPERFUND ("Fund"). The purpose of this PDS is to disclose to prospective members of the Fund all of the information that a member would reasonably require for the purpose of making a decision whether to become a member of the Fund.

The Corporations Act requires that the trustee of the Fund provide you with this PDS within 3 months of becoming a member of the Fund. The PDS provides a summary of the important features of becoming a member of the Fund, a self managed superannuation fund.

If you have any questions relating to this PDS or about becoming a member of the Fund, please contact the trustee of the RAY JOHNSON SCRAP SUPERFUND at 31 Heaton Road, QUORROBOLONG NSW 2325.

What benefits may you be entitled to?

Benefits from the Fund may be paid as either a lump sum or as a pension (income stream). A **pension** refers to a financial product that is purchased by providing a lump sum (capital) to the financial product supplier including the Fund, who invests the lump sum, manages that investment, and pays you a regular income from the proceeds of those investments. As well as paying you the proceeds of the investments, the financial product supplier may include in your payments part of the initial capital you contributed.

Your benefits in the Fund is the net amount standing to the credit of your account plus the value at that time of any policy of insurance, assurance or endowment owned by the trustee in respect of you and has been funded from your account.

If a pension is to be paid, you may choose from different types. Each different type of pension available under the Trust Deed operates differently and will impact on you differently. You should discuss these pensions in detail with the trustee before you select the pension you would like to receive. A summary of the main pensions that you can receive follows:

Account based pensions are the most common type. With an account based pension, the recipient draws whatever pension they like each year provided at least a minimum amount prescribed by the legislation is paid each year. The pension stops when the account balance runs out. The rate of depletion will be dependant on:

- the net investment earnings;
- the amount of the pension payments; and
- any commutation of the pension to a lump sum benefit.

There is no guarantee that the pension will be paid for the life of the member. The member takes the risk as to how long the underlying capital in the superannuation fund will last.

A **transition to retirement account based pension** can be paid to a member who has reached preservation age, without the member necessarily having to retire from the workforce. The main difference between the transition to retirement pension and their counterpart is that they can be commenced on reaching the respective Preservation Age (see below) rather than on retirement. In such circumstances however the maximum pension payment that can be made in any year is 10% of the account balance.

With the other pensions that are not account based pensions you effectively “swap” your account balance for the right to receive a particular series of pension payments. In such circumstances your income stream is such amount as agreed between yourself and the trustee. At that point, you no longer “own” the account balance. Your right to the account balance is replaced with the right to certain pension benefits in the future.

Account based pensions (including transition to retirement account based pensions) are quite different in that the member always “owns” his or her account balance.

There are conditions that must be satisfied before benefits (by way of lump sum or pension) can be paid. One or more of the following conditions may need to be satisfied before you are entitled to receive your benefits.

1. On your retirement

Retirement occurs:

- if you have reached a Preservation Age less than 60; and
 - an arrangement under which you were gainfully employed comes to an end; and
 - the trustee is reasonably satisfied that you never intend to become gainfully employed (either full time or part time); or

The Preservation Ages relevant to members of the Fund are:

- for a person born before 1 July 1960 – 55 years
- for a person born during the year 1 July 1960 to 30 June 1961 – 56 years
- for a person born during the year 1 July 1961 to 30 June 1962 – 57 years
- for a person born during the year 1 July 1962 to 30 June 1963 – 58 years
- for a person born during the year 1 July 1963 to 30 June 1964 – 59 years
- for a person born after 30 June 1964 – 60 years.

- you have reached age 60 and an arrangement under which you were gainfully employed has come to an end on or after you attained that age;
- when you reach the age of 65 (irrespective of your work status);

2. On your Permanent Incapacity

If you have ceased to be gainfully employed, you are permanently incapacitated where the trustee is reasonably satisfied that you are unlikely because of ill-health (whether physical or mental) ever again to engage in gainful employment for which you are reasonably qualified by education, training or experience.

3. Temporary Incapacity

If you have ceased to be gainfully employed, you are temporarily incapacitated where ill-health (whether physical or mental) has caused you to cease gainful employment but does not constitute permanent incapacity. If you become temporarily incapacitated, you are not entitled to all of your benefits but may become entitled to payment of a pension representing the amount:

- decided by the trustee, provided it does not infringe the limit set out in the superannuation law; or
- payable to the trustee under an insurance policy which the trustee may have purchased and which covers the disability you suffer.

4. On your Death

On your death, the trustee may at its discretion pay the benefit to your estate or your dependants. To override this discretion you can complete a binding death benefit nomination form at any time after becoming a member of the Fund. Where a valid binding death benefit nomination form has been received by the trustee, the trustee must pay the death benefit in accordance with those directions.

Dependants means your spouse and children or any person who is in fact dependant on you for financial support.

5. Other Conditions

There are other limited conditions that may trigger the release of some or all of your benefits that are set out in the Trust Deed and the superannuation law.

Significant risks of becoming a member of the Fund

The assets of the Fund must be invested in accordance with an appropriate investment strategy as devised by the trustee. Although the trustee aims to increase the value of the Fund's assets, the value of your benefits can be reduced by negative movements in the value of the Fund's assets. This may mean the value of the assets held in the Fund for your benefit, or to pay you a pension, may be reduced. In turn, this may affect the

trustee's capacity to make payments to you or to sustain the level of payments made to you.

If you choose to receive an account based pension then you obtain benefits and pensions that are calculated by reference to the value of the assets in the Fund. Therefore, if the value of the assets decreases there may be a corresponding decrease in benefit or pension amounts payable to you.

Information about amounts payable to the Fund for or by you

Contributions

The following persons may make contributions to the Fund for your benefit:

1. Your employer

If you have an employer then they must contribute a certain portion of your income to superannuation. You may agree with your employer that they pay such superannuation for your benefit to the Fund.

2. Your spouse

Your spouse is entitled to pay amounts to the Fund for your benefit.

3. You

You are entitled to pay amounts to the Fund for your retirement.

4. Your parents

If you are under the age of 18 years then your parents are entitled to pay amounts to the Fund for your benefit.

5. The Government

If you have a small assessable income you may be entitled to a co-contribution from the Federal Government. In certain circumstances if you pay an amount into superannuation then the Government will match your payments.

You can also split certain contributions paid to the Fund on your behalf to an account held by your spouse, either within the same fund or to a different fund, up to a specified limit.

Information about amounts deducted from the Fund

Reductions in your Member Account

The trustee can make deductions from your Member Account to meet the Fund's expenses, to pay taxes (or to set aside for anticipated taxes) and to pay for an insurance policy or annuity premiums. The trustee may also pay an amount to/from your Member

Account to other accounts in the Fund including Investment Fluctuation Reserve Accounts and Suspense Accounts as permitted by the superannuation laws.

Application of Income

The trustee can maintain:

- A Suspense Account: This is a general account of the Fund and does not relate to a specific member. Amounts such as the income and profits of the Fund or proceeds of insurance policies (which the trustee decides not to pay to a member or beneficiary) are paid into this account. From this Suspense Account the trustee can make payments to your Member Account. The trustee may also make deductions from the Suspense Account to:
 - pay the expenses of the Fund;
 - pay taxes due and payable, or likely to become due and payable;
 - pay costs of insurance policies;
 - meet losses suffered on disposal of an asset of the Fund and so on.
- An Investment Fluctuation Reserve Account: This is also a general account of the Fund. The trustee may decide to pay amounts into this account to:
 - smooth the investment earnings of the Fund (that is, to even out years of good growth and performance with years of poor growth and performance);
 - provide for tax liabilities;
 - pay Fund expenses;
 - otherwise provide for contingencies of the Fund.

Commissions Payable

The trustee is not permitted to charge fees in relation to the services it provides to the Fund.

Significant Characteristics and Features of the Fund

Investment of Fund Assets

The trustee is permitted to make a wide range of investments provided that they accord with the trustee's investment strategy. The trustee is required to establish an investment strategy or strategies, outlining how the assets of the Fund will be invested. The trustee can alter the strategy or strategies provided they remain appropriate. If the trustee offers

more than one strategy, you may choose the appropriate strategy but you cannot choose the investments the trustee is to make within the strategy.

The trustee cannot loan money from the Fund to a member or a member's relative and the assets of the Fund cannot be used as security for borrowing.

The Trust Deed

The Trust Deed is written in plain English. You should take time to read the terms of the trust deed and the other information produced by the Australian Taxation Office which is supplied when the Fund is established so as to familiarise yourself with your responsibilities and obligations as a member and trustee of the Fund.

Other considerations concerning investments made by the Fund

The trustee is required to inform you of whether labour standards or environmental, social or ethical considerations are, or will be, taken into account when the trustee selects, retains or realizes an investment. At this stage, the trustee does not take any such considerations into account.

Taxation

Income of the Fund

For tax purposes, the Fund's income is divided into two components:

- **Non-arm's length component** that includes the Fund's special income (income such as private company distributions, non arm's-length income, some trust distributions), reduced by tax deductions relating to that special income.
- **Low tax component** that is the total of all Fund income, less the non-arm's length component.

The low tax component is taxed at the concessional rate of 15% in the hands of the trustee. The non arm's length component is taxed at the rate of 45%.

If income is generated from assets supporting pensions paid by the Fund then no tax is payable by the Fund in respect of such income to the extent it forms part of the low tax component.

Contributions

Contributions to the Fund (made by your employer, yourself, your spouse) are generally included in the Fund's income where the person making a contribution is entitled to a tax deduction in relation to that contribution. In such circumstances the contribution will usually be treated as Fund income and will be taxed as part of the low tax component at 15%.

Employers are entitled to a tax deduction for superannuation contributions in respect of you.

Certain self employed persons are also entitled to a tax deduction for superannuation contributions made for their own benefit. When making contributions in this way, you need to notify the trustee by lodging a section 290-170 notice with the Fund. The trustee can provide you with the relevant notice if required.

If contributions in excess of amounts prescribed by legislation are received by all superannuation funds in respect of you then you may be liable to pay excess contributions tax. You should seek taxation advice before deciding to make contributions to superannuation.

Low Income Spouse Rebate

If a person makes a contribution on behalf of a Member who is their low income (or no income) spouse, the person making the contribution may be entitled to a tax rebate.

Spouse's Assessable Income (AI)	Maximum Rebateable Contributions (MRC)	Maximum Rebate (18% or the lesser of)
\$0 - \$10,800	\$3,000	MRC or actual contributions
\$10,801 to \$13,799	\$3,000 – (AI - \$10,800)	MRC or actual contributions
\$13,800	\$0	\$0

For example, if the spouse's assessable income is \$5,000, the maximum amount of contributions which are rebateable is \$3,000. If actual contributions were \$2,700, then the rebate would be 18% x \$2,700 or \$486.

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