WHAT IS SUPER?

FORGET THE COMPLICATED STUFF. HERE'S A QUICK GUIDE TO WHAT YOU REALLY NEED TO KNOW.

SUNCORP Superannuation

WHAT IS SUPER?

CONTENTS

NO TIME FOR SUPER?

You probably find super confusing and dull. Perhaps you lack the time (or the inclination…) to give it much attention.

But if you've got a sneaking feeling that you should give at least a bit of thought to your super, you'd be right. Even if you can't bring yourself to love your super, you shouldn't ignore it, because:

1. It will probably become the biggest financial asset you'll ever own, after your home

2. It's just as much your money as is the cash in your bank account

3. How hard it's working now will determine how hard you'll be able to play later.

WHERE TO START?

If you're worried about whether your super savings are on track and if you'll have enough money to enjoy life after work, you're not alone. 49% of Gen X and even 42% of Gen Y feel the same way.*

While super seems complicated because of all its rules and jargon, in essence it's very simple. So a big first step in getting to grips with your super money is to understand what it is and what makes it grow.

You can then make the right decisions, and take some simple little steps, to make it grow faster. Because the more super money you end up with, the more fun you'll have after you give up work.

*Suncorp *Attitudes to Super in Australia* survey, 2012

HOW DOES SUPER WORK?

Although it often comes with built-in life insurance and other bells and whistles, superannuation is simply a means of saving money.

All you are doing with super is accumulating a pot of cash you can live off when you retire. The government even helps by providing tax savings along the way.

YOUR SUPER MONEY GROWS IN THREE WAYS:

1. The government makes employers contribute 9% of each employee's salary into a super fund. (From 1 July 2013 this rises to 9.25%, and by 2019 it will be 12%). If you're an employee this will add up to a hell of a lot of money flowing into your account over your working life.
2. Your super money doesn't sit idle. It's invested. Your account balance may fluctuate, but over time it will grow. Generally speaking, the longer it has, the more it will grow.
3. There are things you can do to boost it.

WHY SHOULD YOU BOOST YOUR SUPER?

Because relying on your employer's contributions and your investment returns may not be enough on their own. And by the way, the government age pension is a princely $404 a week for a single person and $609 for a happy couple.*

WHY IS SUPER 'TAX-EFFECTIVE'?

One of the best things about super is that you'll almost certainly get hit for less tax than you would by putting cash in a bank savings account or investing directly in managed funds.

For example, if you've got money in a bank savings account you pay tax on the interest it earns at whatever your marginal tax rate is.

For someone on $60,000 a year this is 32.5% – whereas that same person would pay tax at only 15% on interest or investment returns in their super fund.

If you're self employed, you can usually claim a tax deduction for personal super contributions you've made.

* As at 20 March 2013. Includes a pension supplement of $61.20 and a clean energy supplement of $13.50 for a single person and a pension supplement of $46.10 and a clean energy supplement of $10.20 for each member of a couple.

THREE EASY WAYS TO BOOST YOUR SUPER

1. PUT MORE MONEY IN YOURSELF*

In the same way as you might try to get ahead on your home loan by making extra repayments, you can get ahead on your super by putting in more than just your employer's 9%.^

There are different ways you can put money into your super account, including:

- Salary sacrifice. This sounds painful but it's probably the easiest way of growing your super. You just ask your employer to divert some of your pre-tax salary into your super account every time you get paid. It's an effective, ongoing means of drip feeding more money into your account. A 35-year-old earning $60,000 a year and with a super balance of $30,000 could be nearly $130,000 better off at retirement – just by salary sacrificing $20 a week.†
- Making one-off contributions from your take-home pay.

2. COMBINE MULTIPLE SUPER ACCOUNTS INTO ONE

If you've got several super funds, you're probably throwing money down the drain by paying more fees than you need to. These fees may not seem like much now, but over time they really add up.

Learn more about how to consolidate your super

3. MAKE SURE YOU'RE IN THE RIGHT INVESTMENT OPTION

Super itself isn't an 'investment'. It's more like a savings account into which your employer, and you, make payments from your earnings. Your money is then invested by your super fund in things like shares, property, cash and fixed interest.

What's critically important is that you can choose where and how your money is invested. There's more on this in the following pages.

WHEN CAN YOU GET YOUR HANDS ON YOUR SUPER MONEY?

Super is designed specifically as a way of saving for your retirement. Other than in a few exceptional circumstances you can't therefore get hold of your super money until you reach retirement age (age 60 if you were born after July 1964) and stop working. At 65 you can get access to your money whether you're working or not.

* There are limits (sometimes called 'caps') on the amounts you can contribute to super in any financial year. The limit on contributions from your pre-tax salary is $25,000 each financial year.

^Rising to 9.25% on 1 July 2013

†Assumes the super fund earns a rate of return (before earnings tax) of 7.95% per year. Earnings are calculated at the end of the financial year. Retirement is at age 65. The figure is in future dollars. Salary, super guarantee and salary sacrifice are indexed annually at 3%. Top up is annualised and contributed at the beginning of the year. Projections are estimate only. Actual result would be subject to changes in salary, tax treatment, and fluctuations in investment returns.

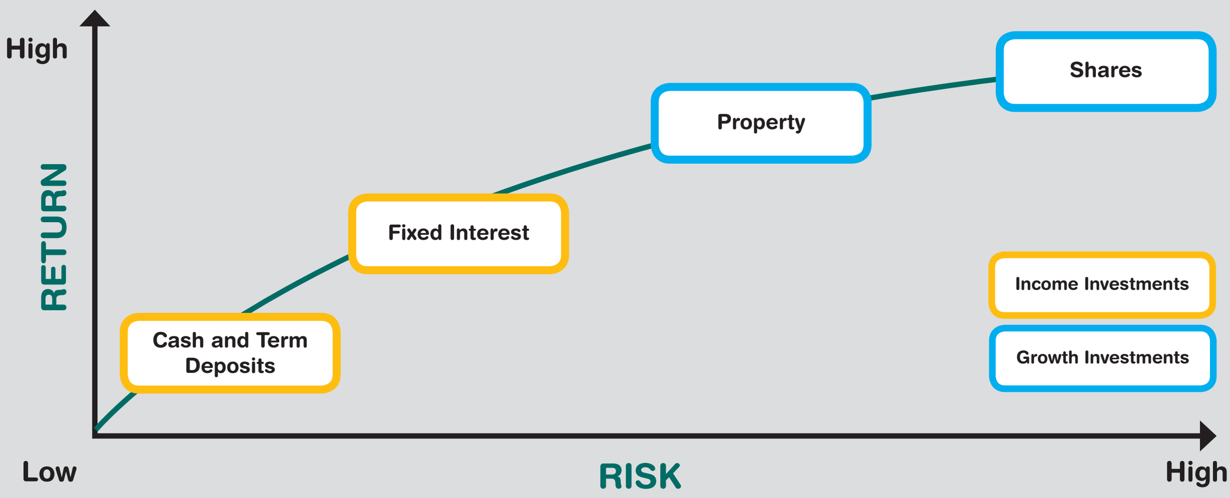
IF YOU'VE GOT SUPER, YOU'RE AN INVESTOR

Your super account balance will fluctuate depending on the performance of your investment options. Different types of investments behave differently in different market conditions. Some are more volatile (ie risky) but offer the prospect of higher returns in the long term.

If you don't make an active choice in where your super is invested, your money will go into what your super fund calls the 'default investment option'. Usually this is a 'balanced' fund, made up of a roughly equal mix of growth investments (eg shares and property) and income investments (like cash and fixed interest).

THE RELATIONSHIP BETWEEN RISK AND RETURN

As a general rule, investment options with a higher level of risk will provide a higher potential return. By the same token, the smaller the risk the investment option poses, the smaller the potential return it will provide. This has been illustrated below:



IF YOU'VE GOT SUPER, YOU'RE AN INVESTOR

WHICH INVESTMENT OPTION SHOULD YOU CHOOSE?

Generally speaking, the longer you have until retirement, the more sense it makes to invest in growth assets, which will offer the highest long-term returns - albeit with greater short-term risk.

Consider someone aged 30 who earns $50,000 a year and has a super balance of $25,000. Let's assume they end up retiring when they're 65. Let's also assume they've just left it up to their super fund to decide where their money is invested. This means it's probably invested in a balanced investment option.

Let's then assume that the balanced investment option makes a gross return of 6.5% per year. If that person switched to a 'growth' investment option that earned 8.5% per year, they would be $365,282* better off when they retired at age 65.

But in the end, your choice of investment option is very much dependent on your particular age, attitude to risk, and overall investment goals.

LET YOUR SUPER FUND DO THE WORK

Some people get pretty excited about investing. For others, it's all too hard. Some super funds, such as **Suncorp Everyday Super**, can do it all for you. With Everyday Super's 'Lifestage Funds' we match your investment strategy to your age, and then automatically change your investments as you get older. You don't have to do a thing. (But if you want to choose your own investments, you can still do that instead.)

*Assumptions
Additional retirement savings are expressed in future dollars and are in reference to extra funds on top of a base scenario. Base scenario is 9% Super Guarantee, 6.5% gross investment return, no salary sacrifice, no one-off non-concessional contributions, no consolidation of lost super and no career breaks. Contributions are made at the beginning of the year. Earnings are calculated at the end of the year. Indexation at 3%. The outcome of this strategy assumes that the person's super is currently invested in a balanced investment option earning 6.5% a year gross investment return, and they switch to a growth investment option that earns an annual return of 8.5%.

INSURANCE IN YOUR SUPER

Life insurance can seem boring, complicated and depressing. But it really pays to consider how you'd cope financially if you could no longer work because of illness or injury. And how would your family pay the bills if you (and your salary) weren't around anymore?

Many super funds automatically give you a level of life insurance and give you the option of applying for more cover. Check on your last annual super statement, or via your online account log in, or just ask your fund – you might be surprised at how much insurance cover you've already got.

MOST SUPER FUNDS OFFER SOME OR ALL OF THE FOLLOWING TYPES OF LIFE INSURANCE:

DEATH COVER

(confusingly, sometimes called 'life cover')

Pays a lump sum if you die or are diagnosed terminally ill

TOTAL & PERMANENT DISABILITY

(often just called 'TPD')

Pays a lump sum if you suffer an illness or injury that leaves you totally and permanently disabled

INCOME PROTECTION

(sometimes called 'salary continuance cover')

Pays an ongoing monthly amount while you can't work because of illness or injury

Holding life insurance inside your super fund, instead of arranging it independently, has many benefits:

COST SAVINGS

- If you're employed, premiums can be funded from your pre-tax employer or salary sacrifice contributions.
- As most super funds are collectively insuring a lot of people, they can offer members a 'group discount' on premiums.

IMPROVED CASH FLOW

- As premiums are funded by your pre-tax super contributions, there's no need to dip into your take-home pay.

AUTOMATIC COVER

- Many funds offer automatic acceptance for basic cover, with no need for you to undergo medical assessment.

Some super funds, such as **Suncorp Everyday Super**, automatically change your level of insurance cover as you get older. As with our Suncorp Lifestage Funds, you don't have to do a thing. This means we give you more insurance when you're likely to have higher debts to cover, such as a mortgage or children.

THE TOP TEN THINGS YOU NEED TO KNOW ABOUT SUPER

1. You get to choose how your super money is invested. You should exercise this choice because the investment option into which your super fund automatically allocates your money may not be the best one for you.

2. The rate at which your account balance grows is hugely affected by the types of assets in which it's invested. Being in the wrong investment option could end up costing you a serious amount of money.

3. You don't have to go with your employer's recommended or in-house super fund – you can choose your own and take it with you when you change jobs. One working life, one super fund.

4. Other than in a few exceptional circumstances you can't get your hands on your super money until you reach retirement age (60 if you were born after 1 July 1964) and stop working. At age 65 you get access to your money whether you're working or not.

5. Almost all super funds charge fees. Paying high fees can erode your long-term super savings. At the same time, as with most things, cheapest isn't necessarily best.

6. If you've got multiple super funds, combining them into one account (sometimes called **'super consolidation' or 'rollover'**) could save you a small fortune in fees. It'll definitely save you on paperwork.

7. If you've had a few jobs in the past, you may have some super you've forgotten about. Find and reclaim lost super via the Tax Office's website at **ato.gov.au/superseeker**.

8. You needn't wait for your annual statement to arrive to see how your super is doing. Most funds let you check your balance and manage your account online via a secure log in. With some funds, such as **Suncorp Everyday Super**, managing your super account is as easy as internet banking.

9. Life insurance within super can be more cost effective than having it outside super – and you can usually apply for more than the amount your super fund automatically gives you.

10. You can choose who gets your super money and life insurance if you die. Not a nice thought – but it's important to make sure your money goes to the right person. All you'll need do is fill in a quick form, then forget about it.

WHAT NEXT?

ARE YOUR SUPER SAVINGS ON TRACK?

Try our **retirement simulator**, which estimates how much money you'll have after you stop working.

ARE YOU IN THE RIGHT INVESTMENT OPTION?

Assess your attitude to market volatility and investment risk with our **interactive risk profiler**.

IS YOUR SUPER ALL OVER THE PLACE?

Get it all together with your **super rollover wizard**.

WANT TO LEARN MORE ABOUT SUPER?

Go to **Tools & Resources**.

OTHER QUICK LINKS

Find a form

Fund performance

Updates on super

LEARN MORE ABOUT SUNCORP EVERYDAY SUPER

Everyday Super is a straightforward online super account with no unnecessary extras:

- Low fee super account with hands-on investing — or leave it all to us
- Access your account any time through Suncorp online banking
- Hassle-free insurance that automatically adjusts to suit you

Download our user-friendly **Product Disclosure Statement**.

CALL US ON 13 11 75

Important information

Before consolidating your super you should check with your other funds or financial adviser to see if you'll pay any exit fees and if your insurance cover or tax situation is affected.

This information is current as at 10 April 2013 and may be subject to change. It has been prepared without taking into account a person's objectives, financial situation or needs. For that reason, before acting on this information, a person should consider its appropriateness having regard to their own objectives, financial situation and needs. Where the information relates to the acquisition, or possible acquisition, of a particular product, a person should read and consider the relevant Product Disclosure Statement (PDS) in deciding whether to acquire, or continue to hold, the products.

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