powering your **financial future**

SuperUpdate | SUMMER19

NESS Super, the industry fund to power your financial future

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Message from the CEO

NESS Super is an industry fund with a focus on providing excellent value to its members via competitive returns, low fees and industry leading products and services.

The focus of the Fund over the 2019 year will be to ensure members receive a range of new products and services to ensure needs are catered for both now and in the future. With this in mind NESS Super is pleased to announce that we'll shortly be launching a new insurance offering to eligible members – more details can be found below.

It's been a challenging start to 2019 with turbulent markets and global uncertainty affecting performance across many asset classes. This period of market volatility is likely to result in lower returns for many super funds, I can assure you the Trustee and I are doing all we can during this challenging time. Russell investments have provided mid-year market investment commentary in this edition of member news, see page 2 for more.

Paul Cahill – CEO NESS Super

PAUL CAHILL
NESS Super CEO

New member insurance lands soon

We're making some **BIG** changes to our insurance offering to provide members with improved insurance solutions that take into account your needs at different life stages, features include:

- ✓ A new death and TPD scale and Income Protection offering
- ✓ Lower premiums for younger members on default cover
- ✓ Cover when you need it – default cover varies depending on age
- ✓ Insurance designed for our industry with cover for specific work related risks

Stay tuned for more details on our new insurance offering – we'll be sending information outlining the changes to your cover in the coming months.

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Mid-Financial Year Investment Commentary

Mid Financial Year End: 31 December 2018

Overview

Markets ended the mid financial year negatively, with stocks falling sharply on the back of a series of softer-than-expected European economic data and ongoing US-China trade uncertainty. Half way through the financial year and we have seen stocks be impacted by fears over Brexit, the Fed's decision to raise interest rates and further evidence that growth in China is slowing; the latter suggesting the country's standoff with the US is beginning to bite. Sentiment has also been impacted by softer manufacturing activity in the US and Europe, as well as US political uncertainty, including the impasse between top democrats and President Donald Trump over funding for Trump's Mexico border wall; which ultimately led to a partial shutdown of the US government.

Global shares

Global share markets struggled over the past 6 months, returning -8.6% (MSCI World ex Australia) in local currency terms. In unhedged Australian dollar (AUD) terms, stocks returned -4.6%. Much of this was driven by economic and geopolitical factors including softer-than expected European economic data, US-China trade tension, Brexit, the Fed's rate hike yet again in December and an impasse between top democrats and US president Donald Trump over funding for Trump's Mexico border wall.

Australian shares

The Australian share market was also weaker in the past 6 months, with the S&P/ASX 300 Accumulation Index returning -7.0%. The local market's declines came predominately in the December quarter where it returned -8.4%. Australian shares struggled off the back of a spike in bond yields in October and US-China trade tension escalations. We also saw 'Big Four' banks weakness hinder shares as well as further evidence China's economy is slowing amid disappointing growth data.

Investment commentary provided by Russell Investments

Property

Australian real estate investment trusts performed relatively flat over the past 6 months, closing the period up 0.2% (S&P/ASX 300 A-REIT Index). Contributing to the gains were lower long-term bond yields, some encouraging domestic earnings updates and some notable corporate deals.

Bonds and cash

Global bonds made modest gains for the past 6 months, returning 1.3% (Barclays Global Aggregate Bond Index). Most major global long-term bond yields fell over the period as investors favoured the asset class's traditionally defensive characteristics in the face of heightened political and trade uncertainties. Australian bonds outperformed their global counterparts over the period, rising 2.8% (Bloomberg AusBond Composite 0+ Year Index).

Cash returned 1.0% (Bloomberg AusBond Bank Bill Index) and the Reserve Bank of Australia (RBA) left the official cash rate on hold at a record low 1.50% throughout the period.

It's your money... Power up your retirement with NESS Super

For most of us our retirement savings are the most significant asset we hold outside the family home, yet few think about their super and how it's tracking until it's too late to make a difference. Planning for your retirement can make the difference to being comfortable or struggling in your years post work.

According to industry experts the average Australian couple needs around **$640,000** in retirement savings to maintain a comfortable lifestyle (or **$545,000** for a single)*.

How's your super tracking?

For most of us, employer contributions alone won't be enough to fund a comfortable retirement. The good news is there are many ways you can boost your savings.

Depending on your circumstances making additional contributions can be an effective way of maximising your super investment whilst reducing your overall tax liability.

How much can I top-up?

Contributions can be made in pre or post tax dollars up to certain limits. The table below shows how much you can contribute:

Pre-tax contribution cap (salary sacrifice)
$25,000 p.a.
Post-tax contribution cap (under 65 years)
$100,000 p.a.

So don't wait until your 55 or 60 years old to take an interest in your super savings. Small actions now will ensure your retirement is as comfortable as it can be.

Though our financial planning partner, Link Advice^, you can access general and simple advice over the phone about your retirement planning options. There is no additional cost for our phone based advice, this service is included in your NESS membership.

Call us on 1800 022 067 to find out more.

* Source: ASFA Retirement Standard, March Quarter 2018 ^ Advice is provided by Link Advice Pty Limited, ABN 36 105 811 836, ASFL No. 258 145.

Super Strategy: Downsizing your home for retirement and save tax!

By the time you're considering retirement you may have accumulated substantial equity in your family home. However many empty nesters and people nearing retirement find they no longer want to invest the energy and expense maintaining a larger house and are seeking to downsize.

Since 1 July 2018 the Government allows you to sell the family home, downsize and invest any surplus into super. This can be a great way of releasing equity to fund living expenses, investing the proceeds in a tax effective environment. If you're aged 65 or over and have owned your home for 10 years you can now contribute up to $300,000 (or $600,000 for couple) from the proceeds of your home to your super!

The main advantage of this strategy is that any earnings will only be subject to a maximum of 15% tax, compared to the top marginal tax rate of 47%* outside of super.

*Inclusive of Medicare levy of 2%.

Case Study: Frank

Frank is a 67 widower and wants to sell the family home now his children have moved out because it's too big. He expects to sell the home for $800,000, buy an apartment for $500,000 and have $300,000 left to invest for his retirement.

Using the new downsizing contribution rules Frank added the $300,000 surplus from the sale of his house to his super account which did not count towards his contribution cap.

What do I need to do next?

It is important to note that downsizing contributions will be counted for the assets and income tests used to determine eligibility for the Age Pension. We strongly recommend that if you are considering taking advantage of the new downsizing contributions you should seek professional advice, such as Link Advice, on how it will affect your particular situation before making any decisions.

LINK Advice

Though our financial planning partner, Link Advice,^ you can access general and simple advice over the phone about selling the family home and your retirement planning options.

1300 734 007

fp@linkadvice.com.au

linkadvice.com.au

Australian Financial Services Licence No 258145

^ Advice is provided by Link Advice Pty Limited, ABN 36 105 811 836, ASFL No. 258 145.

Super Strategy: Buy your home sooner through Super!

Did you know you can now use your super account as a tax effective way to help save for your first home?

From July 1st last year you can now make contributions in pre or post tax dollars into your super and then withdraw savings to use towards the deposit on your first home. It's a super way to save more faster!

If you've never owned a property but are focused on buying or building your first home, then the First Home Super Saver Scheme (FHSSS) may be for you.

By making additional voluntary contributions of up to $15,000 p.a. to your super you could save for your first home sooner. If contributions are made via salary sacrifice your super fund will tax contributions at 15%. For most people this tax rate will be lower than the normal marginal tax rate they pay on their taxable income (up to 47%*).

* inclusive of Medicare levy of 2% **assumes 2% interest paid on savings

Case Study: John

John is 25 and earns $70,000 p.a. and wants to buy his first home. He pays $10,000 in pre-tax dollars to his super using salary sacrifice but only reduces his takes-home pay by $6,450 as his overall tax liability is less.

After 3 years of saving, John has saved an estimated $25,892 that will be available for a deposit under the First Home Super Saver Scheme. That is $6,210 more than if John had saved in a standard bank deposit account of 2% p.a.

What do I need to do next?

The FHSSS is a sophisticated strategy, therefore we recommend you seek professional advice to understand your eligibility, benefits and how it will impact your particular situation before making any decision.

One of the benefits of NESS Super Membership is you have access to obligation free financial advice through Link Advice.

LINK Advice 1300 734 007

At NESS Super, we're here to help you. Contact a member of the NESS Service Team today.

Simon Horrod
Member Services Manager
e: simon@nesssuper.com.au
m: 0414 946 933

Mynas Leontios
Business Development Manager
e: mynas@nesssuper.com.au
m: 0448 432 443

Freecall 1800 022 067
Post Locked Bag 20
Parramatta NSW 2124
Web www.nesssuper.com.au
Email nessadmin@aas.com.au

Contact us for more information about any of the topics in this newsletter.

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