

TOP 10 THINGS TO KNOW ABOUT

VicSuper



Before you get started

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Letter from the Wealth Adviser Library

Dear **Reader**

WELCOME TO THE WEALTH ADVISER LIBRARY.

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

KNOWLEDGE GIVES YOU A HUGE ADVANTAGE

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of eBooks that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

TAKE THE NEXT STEP

We invite you to meet with one of our advisers to discuss what it was you were hoping to achieve when you obtained this document, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find the details on how to book an appointment with one of our experts.

We look forward to meeting you soon.

Wealth Adviser Library

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Introduction

VicSuper was started in 1994 as Victoria's public sector fund. Over the years, it has expanded and widened its membership so that now anyone can join. It currently has over 250,000 members and more than 25,000 participating employers, with over \$23 billion dollars in net assets.

VicSuper's head office is in the Melbourne CBD and the fund has earned a 5 Apples rating (highest available) from Chance West 5 and has also received a platinum rating from SuperRatings for the last seven years.

The information is accurate as of the 1st of December 2019 (and is no substitute for a PDS: Product Disclosure Statement).

#1 - How VicSuper Works

Anyone who is eligible to make super contributions can join the fund. It takes the money payed in by employers as well as other contributions that you may make and invests them in a range of investment options. These investment options can cover any risk-level or timeframe that is appropriate to your financial situation and retirement goals. It aims to grow the funds so that upon retirement, you may have sufficient funds to generate an income to live comfortably.

#2 - Who Can Contribute to VicSuper

Anyone who is eligible to make contributions into super can join. In the past, membership was limited, but since 2000 VicSuper has been open to everyone. There are two ways that you can join a VicSuper FutureSaver:

1. Through Your Employer

If your employer already has an agreement with VicSuper, let them know and they will register you automatically.

2. Directly With VicSuper

You can also join directly if you are self employed, not working, or your employer is not a participating VicSuper Employer. For the first two categories, you can read the PDS and join on the VicSuper Website. If you would like your employer to pay your super into a VicSuper account, you will need to complete a Choice of Superannuation Fund form and hand it to your employer.

Once you are a member, there are multiple ways that super can be added into your account. Types of super contributions fall into three categories:

3. Before Tax and Other Concessional Contributions

These include compulsory employer contributions, salary sacrifice, additional employer contributions and self-employed contributions.

4. After Tax Contributions

Voluntary after tax contributions and spouse contributions.

5. Other Contributions

Rollovers from other super funds, government co-contributions, lost super, superannuation contribution splitting and low income super contributions.

#3 - VicSuper Fees

VicSuper has a low fee structure. This means that there are no entry or exit fees, nor are there commissions to pay.

Fee type	Amount
Administration fee*	
Administration fee	0.19% pa (plus \$1.50 per week)
Account-keeping fee	\$1.50 per week
Indirect cost ratio	
Operational risk reserve cost	0.05% pa
Investment management cost	Ranges between 0.00% pa to 0.44% pa (estimated) depending on your investment option
Buy-sell spread	Nil
Switching fee	Nil
Exit fee	Nil
Advice fee	Included in the <i>Administration fee</i> above
Investment fee	The applicable investment costs are included in the <i>Indirect cost ratio</i> above

* The administration fee and account-keeping fee are deducted from your account at the end of each month in arrears. These fees are capped at a combined total of \$125 per month per account.

Taken from the VicSuper website.

#4 - VicSuper Investment Options

VicSuper offers a range of investment options that can be tailored according to the risk and expected return that are right for your situation. When you are choosing an option, make sure to consider your personal risk tolerance and your investment timeframe. If you do not choose an option, your super will be put into the Growth (MySuper) option automatically. VicSuper allows you to change your options for free if you need to. The nine options are listed in the following table

The return objectives listed above are expressed in aimed returns above inflation. It is a per annum percentage, averaged out over rolling ten year periods, after taxes and fees.

The standard risk measure is not a complete measure of the investment risk. It does not take the size of returns into account, or the impact of tax and fees on negative returns.

For further details on investment options, see the VicSuper website.



Option	Growth Asset %	Dynamic Asset Allocation %	Risk Level	Return Objective above inflation %		Risk Label
				FutureSaver	Flexible Income	
Cash	This option has no growth assets and is suited to those with a very low risk tolerance. There is no suggested minimum timeframe.					
	0	0	Very Low	1	1	Very Low
Term Deposit	This option is similar to the Cash option, but allows you to lock in the interest rate for a fixed term of 3,6,9 or 12 months.					
	0	0	Very Low	1	1	Very Low
Capital Secure	This option is suited for those with a very low tolerance for risk and a one year or more investment timeframe.					
	35	5-35	Low	1.25	1.8	Low
Capital Stable	The risk of a fluctuating return is low to medium and this option is best suited to investors with a similar tolerance of risk and a three or more year investment timeframe.					
	50	25-55	Low to Medium	2.25	2.8	Low
Balanced	This option has a medium risk of fluctuating returns and suits investors with a five or more year time frame.					
	70	45-75	Medium	3.25	3.9	Medium
Growth (MySuper)	This is the default option, with a medium to high risk of fluctuating returns. It is recommended for investors with a seven or more year timeframe.					
	85	60-90	Medium to High	3.75	4.65	Medium to High
Equity Growth	This option has a high risk of fluctuating returns and is best suited for investors with a seven or more year timeframe.					
	100	-	High	4.25	5.15	High
Socially Conscious	The Socially Conscious investment option incorporates a wide range of social and environmental objectives. These objectives are achieved by applying exclusionary screens when selecting companies for investment.					
	70	-	High	3.25	3.9	Medium
Australian Shares	This option has 100% of its allocation in Australian equities. It has a very high risk of fluctuating returns and is suited for investors with a seven or more year timeframe.					
	100	-	Very High	4.25	5.15	Very High

#5 - VicSuper Returns

While 2019 may have been an outstanding year across most equity markets, VicSuper's highest risk (Equity Growth) investment option performed above the median in both the three and five year terms. The Chant West survey on the next page shows the Capital Secure, Capital Stable, Balanced, Growth (MySuper) and Equity Growth options returns.



1, 3, and 5-year performance of VicSuper options compared by Chant West

Category	1 year (%) as at 31 December 2019			3 year (%) as at 31 December 2019			5 year (%) as at 31 December 2019		
	VicSuper	Median	Variance	VicSuper	Median	Variance	VicSuper	Median	Variance
Conservative funds (21-40% growth assets)	6.69	8.3	-1.61	4.89	5.3	-0.41	4.62	5.0	-0.38
Balanced funds (41-60% growth assets)	9.61	11.4	-1.79	6.65	6.8	-0.15	6.12	6.2	-0.08
Growth funds (61-80% growth assets)	13.31	14.7	-1.39	8.26	8.7	-0.44	7.40	8.0	-0.6
High growth funds (81-95% growth assets)	15.19	17.6	-2.41	9.19	9.9	-0.71	8.10	8.9	-0.8
All Growth funds (100% growth assets)	21.35	20.8	+0.55	11.16	10.9	+0.26	9.59	9.5	+0.09

Past performance is not a reliable indicator of future performance. Taken from the VicSuper website.

#6 - VicSuper Rollovers

Rolling over your super means to transfer it between superannuation funds or from one superannuation account to another. There are several reasons that you may choose to roll over your super. If you have super spread across different funds, combining it all into one can save time and make it much easier to manage. If you bring all of your super across to your VicSuper account, you will also avoid paying multiple fees.

If you are considering consolidating all of your super into one fund, you need to be aware that it can have implications on fees and taxes, as well as your benefits. While VicSuper does not charge any entry or exit fees, some other accounts do.

#7 - VicSuper Insurance

VicSuper offers life insurance options for all age groups and allows you to increase, decrease or alter your coverage as you see fit. The insurance premiums offer value because of the collective bargaining power of VicSuper's large membership. Insurance is provided by AMP. Premiums vary depending on your coverage type.

VicSuper offers four different insurance options:

1. Death and TPD Cover

- An insurance plan that covers you and your family if you die or become permanently disabled.
- VicSuper FutureSaver members who legally reside and work in Australia are eligible if they are under 70 years old. TPD cover is not available to those who are over 65 when they join.
- The automatic coverage is six units, up to \$309,000 depending on your age.
- The maximum death coverage available is unlimited, while the TPD cover tops out at \$5 million.
- Unit based or fixed cover options are available.

2. Death Only Cover

- A plan that covers your family in case of death.

- It is open to VicSuper FutureSaver members who legally reside and work in Australia and are under 70 years old.
- The maximum available cover is unlimited.
- Unit based or fixed cover options.

3. Income Protection Cover

- Gives you a replacement income if you receive an injury or illness that affects your ability to work.
- VicSuper FutureSavers are eligible if they are under 65 years old; working at least 14 hours per week in self-employed, casual, a contractor (with a contract of at least 6 months with your employer) positions; or are permanent employees. You must be legally allowed to reside and work in Australia.
- There is automatic cover of six units available (up to \$3,000 per month)
- The maximum cover available is \$30,000 per month
- There are cover options with waiting periods of 90, 60 and 30 days. The default maximum benefit period is 2 years, but it can be changed to 5 years or until the age of 65.

4. Life Events Cover

- This allows you to increase your Death Only or Death and TPD cover to allow for major life events that will impact your insurance; such as getting married, becoming a parent, taking out a mortgage or getting divorced or separated.
- This coverage is available to anyone who qualifies for Death and TPD cover or Death Only cover.
- Make sure you read the Insurance Handbook for further details.

#8 - VicSuper Annuities

In November 2014, VicSuper announced that it would be the first super fund to offer the option for members to receive an annuity. VicSuper partnered with annuities fund Challenger to give its members different options to diversify their risk. Together, the two organisations offer products that reflect peoples' retirement needs and provide a reliable income stream into retirement.

#9 - VicSuper Pension Options

VicSuper calls its retirement income stream Flexible Income. This is an amount payed out at intervals that vary depending on how much capital you have in the account, how much money you need to live on and how regularly you need it payed out.

If you are retired, you need a minimum of \$10,000 to invest, to have reached your preservation age, to be permanently retired, to have reached the age of 65, to have ceased employee arrangements after 60 or be permanently incapacitated. If you are still working part time, you can start a VicSuper Flexible Income with Transition to Retirement feature and access part of your super if you have reached the preservation age.

If you are eligible, you may want to consolidate your super if you have multiple accounts. This is because once you start your Flexible Income stream, you can no longer add rollovers or extra contributions to this account. After this, you can open an account and choose your investment options from those mentioned earlier in this eBook.

Once you have chosen your investment options, you can choose between twice monthly, monthly, quarterly, half yearly or yearly payments. If you are fully retired, you can choose a payment amount above the minimum limit. If you are transitioning to retirement, you can choose a payment amount above the minimum limit, but below 10% of your total super balance. You can also nominate a beneficiary to receive the remaining balance of your Flexible Income account in the event of your death.

If you do not have a large amount of super in your account, you may want to consider supplementing it with Age Pension payments if

you are eligible. There are a number of different factors that influence potential Centrelink payments in retirement, so we recommend you speak with a financial planner for the best advice for your particular situation.

The Centrelink Age Pension is set up to be a safety net and allows those that need it to live a modest lifestyle that provides the necessities. While some may be happy living like this, most potential retirees aim for a greater level of comfort and the financial opportunities to do more than just survive their retirement. If you would like to go on the occasional vacation or eat out, it is recommended that you focus on your super rather than expect to live off the Age Pension. There is also no guarantee that the pension will stay at its current levels in the future.

Although many potential retirees think that they will not qualify for the pension at all, the reality is that most qualify for at least part of it. The first thing that needs to be taken into consideration is the age that you will qualify for it. For those born before June 1952, the pension age is still 65. From the 1st of July 1952 to 31st of December 1953, it is 65.5 years old. From the 1st of January 1954 until the 30th of June 1955, it is 66 years old. From the 1st of July 1955 until the 31st of December 1956, the Pension Age is 66.5 years. From the 1st of January 1967 onwards, it is 67 years of age.

The current threshold for the Age Pension is having a total asset value of \$574,500 (excluding your own home) and an assessable income below \$53,061 p.a. for singles. For couples, the total asset value is \$863,500 (excluding your own home) and a combined assessable income below \$80,610 p.a.

The fortnightly maximum Age Pension payment is \$933 for singles and \$1,407 for couples. This payment is reduced based on the amount of assets you hold and your other retirement revenue streams.



#10 - VicSuper for Employers

Employers are currently required to pay at least 9.5% of their employees' Ordinary Time Earnings into superannuation. These payments are called superannuation guarantee (SG) contributions. Back in 2012, the Labor government passed legislation to increase this rate to 12%. However, In July 2014, the Coalition government froze these increases. It remains to be seen what happens in the coming years.

Conclusion

Navigating the best super choice for your financial situation can seem like walking through a minefield. There are so many funds to choose from and so many options within those funds.

We hope that this overview of VicSuper has helped you. If you have any further questions, we at Spring Financial Group are ready to help you with professional advice, so please do not hesitate to contact us and organise an appointment with one of our advisers.

Take the next step

We trust you enjoyed this publication and found it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

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Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Preferred appointment day and time

Day

Date

Time

am/pm

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

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