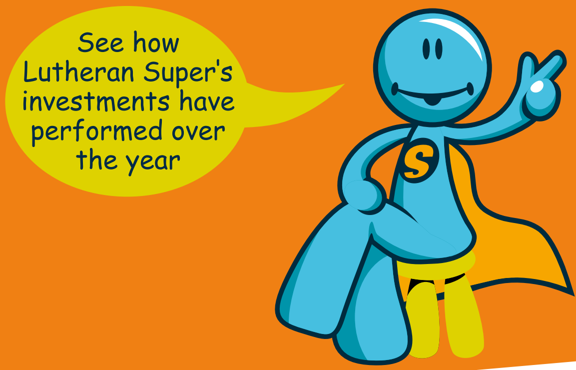


Lutheran Super
You're valued

Your 2017 super update

The smart money starts out money smart

Many Australians lack confidence when it comes to dealing with money. A 2017 study by Mortgage Choice[*] found 60% of Australians rated their overall financial knowledge as average, poor or very poor. More than 20% of respondents to the national survey said they weren't "money smart".

Laura Higgins, a senior executive at the Australian Securities and Investments Commission's MoneySmart website, says nearly every Australian engages with financial products or services, making money smarts more important than ever. She states, "Australians must have the knowledge and skills around money and finance to make informed decisions and plan for the future."

Focus after 50

People gain greater financial knowledge as they get older, with appetites for different investment strategies changing over time.

Finance and economics commentator Michael Pascoe says most people's money smarts come from a range of sources, but people are "inclined to follow others" throughout most of their life.

"Most people only seem to take a real interest in their finances when they turn 50 and suddenly see retirement on the horizon and there's not nearly as much in their superannuation fund as they would like," Pascoe says. "Until then, there's a tendency to bumble along, meeting life's expenses, dealing with the issues of having a job, obtaining a home, raising children, travel and fun."

The younger you start, the better for you

Mercer financial adviser Meg Rennie says it's true people tend to put off their finances earlier in life, but they do so at their peril.

"Times have changed and it's now much harder to cram a life's worth of saving into a few short years before retirement," Rennie says. "Your financial priorities will – and should – change as you get older and your situation changes, but having financial goals is important at every age."

Inside this edition you'll find:

"Getting started in your 30s makes it so much easier to hit your financial ambitions in your 40s – whether that's travel, starting a family or buying a home."

"And knowing your way around a budget and having a handle on your finances when you're 30 and 40 will give you the confidence to achieve your later life goals, whatever they are."

Where do we get our money smarts?

Higgins says people start forming their ideas about money, including spending and saving, from a very young age; absorbing habits and knowledge from their parents and school.

The Mortgage Choice survey found nearly 12% of adults continue to rely on family to guide them on finances.

Newspapers and daily business reports on television news provide another common source of base-line money smarts, while online channels – websites, public forums and social media – are increasingly popular for those in search of information and insights on all things money.

ASIC's MoneySmart website, for example, drew more than 7 million unique visitors in the past financial year.

Smarts on the shelf

For those who consider themselves financially literate but are still seeking guidance on managing their money, there are dozens of magazines dedicated to money and finances, not to mention the book store.

Many people turn to well-known reads such as Robert Kiyosaki's *Rich Dad, Poor Dad*, Scott Pape's *The Barefoot Investor* and even Adam Smith's *The Wealth of Nations* for their money smarts. There's also The Barefoot investor website and blog, https://barefootinvestor.com/blog/ providing easy-to-understand insights and articles.

Scott Phillips, director of research at share advisory firm the Motley Fool, says *The Millionaire Next Door* by Thomas Stanley is another excellent place to start, along with renowned American investor Warren Buffett's own shareholder letters, *The Essays of Warren Buffett*.

More advanced options to expand financial knowledge include meetings with like-minded individuals and professional financial advisers. Higgins says it's crucial to gather information from many different avenues, with unbiased sources balancing out information received from financial institutions.

***Australian Financial Savvines*, Mortgage Choice 2017**

Life reboots at 50

Turning 50 offers plenty of upside. Old pressures ease off, making room for new adventures. Here are five ways to enjoy your sixth decade.

Some people would rather not think about the big 5-0. But once you do, you may realise it's an opportune time to examine your life and map out what you want for your future.

Social researcher Mark McCrindle says the 50-plus life stage has been redefined in an era where people are living longer. Much more is possible, he says, so it's a great time to reinvent yourself. "It's the last big resolution life stage, where you finally decide you're going to do this or stop that or try this out," he says.

What do you want from life?

Kids are often the focus leading up to your 50s, but as they become more independent, it's time to change your priorities. You may feel a bit lost when empty-nest syndrome hits, but the middle years are also a time when we have more clarity about life.

"You know what works and what doesn't, so often people hit their 50s and do a spring clean," McCrindle says. "So people can step forward and start to do what they really want to do."

This includes "rightsizing" the home, as well as dropping unwanted activities or memberships while picking up desirable skills or hobbies.

Know what you want

Making the most of your life can mean loosening the shackles of parenting and ticking off some of the goals you've had to put on the back burner, McCrindle says. Start by creating a "bucket list" of things you want to do before it's too late, including travel or trying something new.

"At this age, you've got what you didn't have when you were younger – money, time and independence," he says. "[Hopefully] you've also still got your health and energy."

Your career path

Rather than planning retirement in their 50s, people often consider new career options. Forging a new career path is entirely possible for the over-50s, McCrindle says.

"In the past, around this age people would ease out of full-time roles and start to finalise any mortgage on their home," McCrindle says. "Now we're seeing people take on debt and maybe start a business, we're seeing people move out of job security and start retraining with new opportunities for a career change, and they're still energetic and on the go."

"Being able to reinvent yourself by upskilling and moving into another career is far more of an option today than it was a generation ago. And starting a business in this entrepreneurial era is far more possible."

Your relationships

Making the most of your new life stage isn't all about letting loose, however. Nutrition, health and exercise need to be a priority if you want to hold on to the freedom you're now enjoying.

"You need to invest time, energy and money into being fit and healthy," Pirihi says. "Don't wait until you get sick." Get enough sleep and exercise, drink plenty of water and eat a healthy diet, she says, and make use of the health services available to you.

The next phase of life doesn't have to be a chore. With a little planning, research and creativity, you'll be able to squeeze the most out of it – and you might just find it's the best decade you've ever had.

A recap on key super changes from 1 July 2017

Changes that took effect from 1 July 2017 have seen Australia's superannuation system undergo its biggest shake up in a decade.

These five significant changes took effect from 1 July 2017. Make sure you understand what they mean for you. Remember, you are able to call the Helpline on **1800 635 796** to speak to a financial adviser over the phone to help adapt your contribution strategy if necessary.

1. Reduced concessional (before-tax) contributions

The concessional contribution cap for before-tax super contributions – including employer Superannuation Guarantee payments and salary sacrifice – has dropped to $25,000 a year for everyone; down from $30,000 for those aged under 50 and $35,000 for those 50 or older.

The change will make it more difficult to boost your super quickly in the years leading up to retirement, so you'll need to start thinking about super earlier in your career.

2. Reduced non-concessional (after-tax) contributions

The after-tax superannuation cap has dropped to $100,000 a year, down from $180,000. Those under age 65 can still "bring forward" three years of after-tax contributions, but the limit is now $300,000, down from $540,000.

Under the new rules, you can't make any non-concessional contributions once your total super balance reaches $1.6 million.

3. Spouse contributions more widely available

The spouse tax offset has been extended to those whose recipient spouses earn up to $40,000, a significant increase from $13,800. The offset gradually reduces for incomes above $37,000 and completely phases out at incomes above $40,000.

The move means there is greater flexibility to support your partner and include spouse contributions as part of your overall strategy.

4. Widening access to concessional contributions

All individuals under the age of 65, and those aged 65 to 74 who meet the work test, can claim a tax deduction for personal contributions to eligible superannuation funds up to the concessional contributions cap.

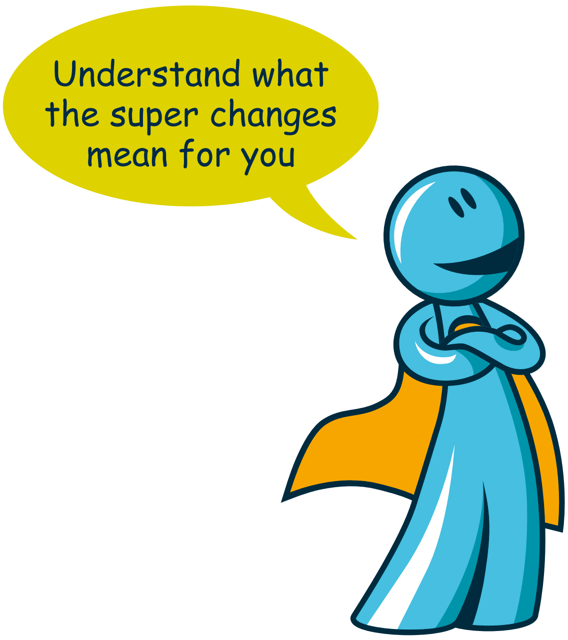
An income tax deduction for personal superannuation contributions before 1 July 2017 was only available to people who earned less than 10% cent of their income from salary or wages.

5. Introducing catch up contributions

From 1 July 2018, super members with total super balances of less than $500,000 will be able to "carry forward" any unused concessional cap amounts for up to five financial years.

Unused amounts "carried forward" can only be used in subsequent years, so the first year in which you'll be able to access the ability to contribute more than the normal cap is 2019/2020.

Catch up contributions could be helpful if you take time out of work, where your income varies considerably from one year to the next, or if your circumstances have changed and you are now in a position to increase your contributions to superannuation.



Two new investment options from March 2018

How your money is invested can have significant ramifications socially, environmentally and ethically. Which is why, in addition to the Growth Australian Shares Socially Responsible Investment (SRI) option, you now have a choice of the Balanced SRI option, offering a medium to high risk investment profile. If you prefer share market investment, the new International shares option, with a high risk profile, offers exposure to share markets around the world, as well as the Growth Australian Shares option providing access to share markets at home.

You can read more about these options in the *Important information about changes to your super* notice sent to you in December 2017. Full details about all of the investment options can be found in the *Member information booklet*. Both documents are available in the **Forms & Publications** section of the website at **www.lutheransuper.com.au** or by calling the Helpline on **1800 635 796**.

You can make an investment change online at any time through your online account. If you need advice about your investment choice, you can speak to a licensed financial adviser at no cost over the phone by calling the Helpline.

Investment market round up

Global economic growth in 2017 has been the strongest since the 2010 rebound from the depths of the Global Financial Crisis. The global economy is currently growing at its fastest pace in more than five years; and the good economic news is likely to continue into 2018.

The share rally that began in 2009 is one of the longest and largest on record; US equities for example had risen for 13 consecutive months as of November, their longest ever monthly winning streak.

A variety of obstacles, ranging from geopolitical tension between North Korea and the United States (US) continued, conflict in Spain surrounding the Catalonian referendum for independence, a Japanese election, overcoming an onslaught of natural disasters with two hurricanes in the US, earthquakes in Mexico, and flooding in South-east Asia, failed to put a dampener on the synchronised global growth that characterised the global economy in 2017.

In the US, the approval of President Donald Trump's much anticipated tax reforms provided a positive boost to growth. Manufacturing indicators showed consistent continued expansion across the US, Europe and China as the year came to a close, providing further support to economic growth.

The US Federal Reserve (Fed) raised interest rates in December, from 1.25% to 1.5%.

Domestically, the S&P/ASX 300 rose 7.7% over the final quarter and small caps lead the market, rising 13.7% for the period.
The Australian dollar (AUD) was relatively stable at year end.

The Reserve Bank of Australia (RBA) has kept a close eye on the AUD, continually expressing its view that a strong AUD will be counter-productive to economic growth, as well as affecting policy decisions with no expectations for a rate hike in the short term.

Experts expect this strength to continue in 2018, with most parts of the world experiencing healthy growth. Consumer spending should remain well supported on the back of very low unemployment and slightly stronger wage growth, which has already boosted consumer confidence.

Business confidence is also at high levels, and that has led to a long-awaited upturn in investment. With high profitability and low interest rates, this is expected to continue in the New Year.

In Australia, economic growth also continues to slowly strengthen, again supported by an upturn in business profitability and non-mining capital expenditure. Despite strong employment growth, however, the outlook for consumer spending remains subdued, with households constrained by weak wage growth and high levels of debt.

Market outlook

Experts expect equities to rise modestly in 2018, largely on the back of continuing economic strength that should lead to another year of strong earnings growth in most economies. The outlook for earnings growth is a little more uncertain in Australia, but the local market will continue to be supported by a relatively high dividend yield.

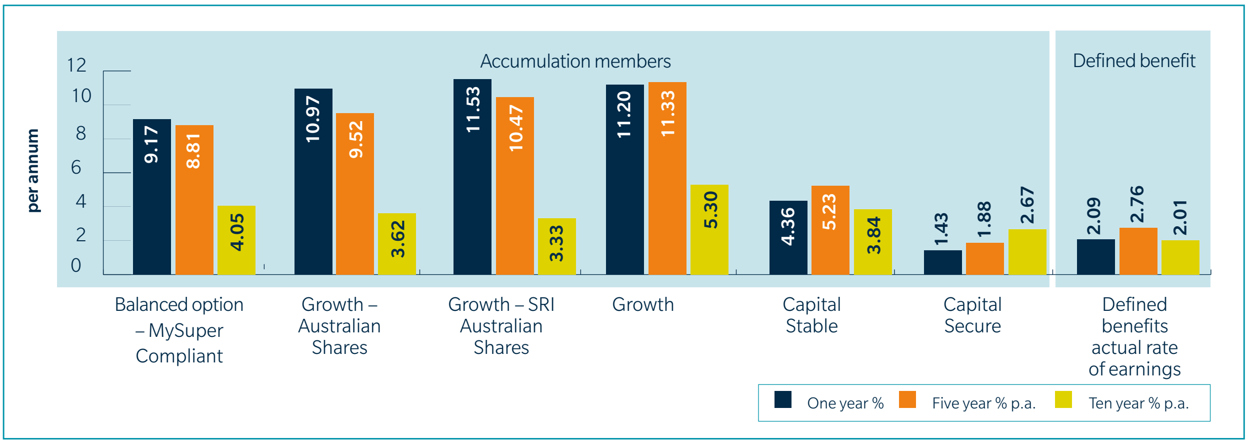
It is anticipated that the Fed may look to raise interest rates three or four times over the year. The RBA is expected to start to raise the official interest rate by the end of 2018, but the total rise over the full cycle is likely to be relatively small by historical standards.

* Source: Mercer Investment, December 2017

Lutheran Super performance to 31 December 2017

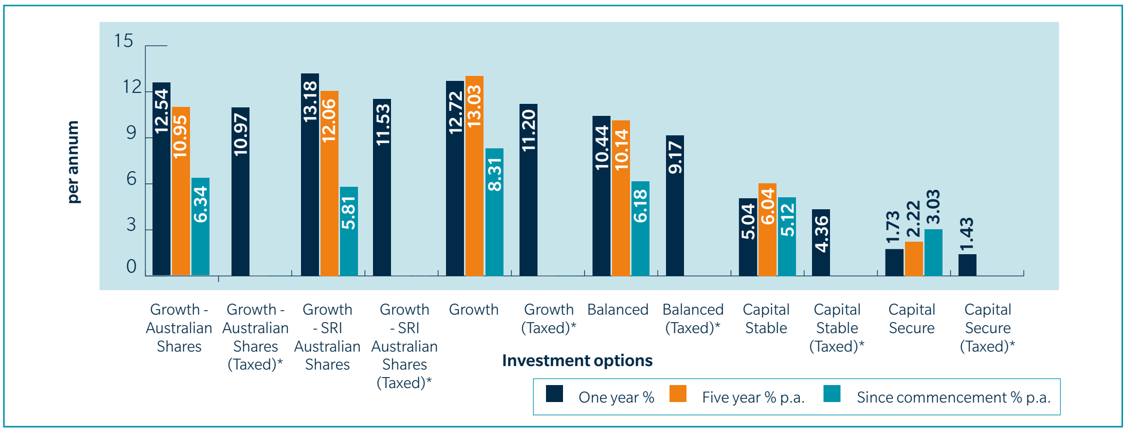
The following graphs show the investment performance, after tax and fees, for all the Lutheran Super investment options for one, five and ten years to 31 December 2017. Graph 1 shows returns for members with superannuation accounts and Graph 2 shows the returns for account-based pension accounts.

Graph 1: Lutheran Super investment returns to 31 December 2017 for superannuation members.



Graph 2: Lutheran Super investment returns to 31 December 2017 for pension members

Lutheran Super pension investment options became available from 1 July 2008, so the ten year average returns are not available. The average annual returns for one, five years and since commencement for the untaxed options are shown.



* From 1 July 2017, investment earnings for transition to retirement accounts are no longer tax exempt for pension members who are under 65 and have not satisfied a condition of release. Actual investment earnings for these members will vary from these returns due to the impact of removal of the tax exemption on earnings on these accounts from 1 July 2017. The longer term returns for these TTR options has not been shown due to the impact of tax over these periods.

What's happening in super?

In addition to the key super changes we covered earlier in this *Update*, here is a summary of the other changes that took effect or proposed changes to super over the past year.

Changes in age pension assets test

From 1 January 2017, the age pension assets test was varied so that:

- The level of assets which can be held before they start to impact the age pension was increased, which results in an increase in the age pension for some retirees.
- The rate at which the age pension is reduced for each $1,000 of additional assets was increased from $1.50 to $3.00 per fortnight. This reduces the age pension for some retirees.

Other 2016 Federal Budget reforms now legislated

High income concessional contributions threshold: From 1 July 2017, the income threshold at which high income earners pay additional contributions tax was reduced from $300,000 to $250,000.

$1.6 million transfer balance cap: From 1 July 2017, a $1.6 million (indexed) cap applies to the amount that individuals can transfer into a pension account that has tax-exempt investment earnings. Those with account balances above $1.6 million at 1 July 2017 may need to transfer the excess to an accumulation account or withdraw it from super (subject to meeting conditions of release). Special rules apply to defined benefit pensions.

Low income superannuation tax offset: From 1 July 2017, the Government has introduced a Low Income Superannuation Tax Offset of up to $500 to offset tax on concessional contributions for members with adjusted taxable incomes up to $37,000. This is to replace the existing Low Income Superannuation Contribution which applies for contributions made up to 30 June 2017.

Co-contribution: From 1 July 2017, individuals will not be eligible for the government co-contribution in an income year if their non-concessional contributions exceed their limit for the year or if their total superannuation balance is $1.6 million (indexed) or more.

Removal of anti-detriment provision: From 1 July 2017, the Government has removed the 'anti-detriment' tax deduction that was available for some superannuation death benefits. This provision allowed eligible death benefits to be augmented to offset the contributions tax introduced in 1988.

Transition-to-retirement pensions: From 1 July 2017, the tax exemption on earnings from assets supporting transition to retirement income streams only applies where the pensioner has reached age 65 or has satisfied another relevant condition of release. The ability for individuals to treat superannuation income stream payments as lump sums for tax purposes was also removed.

Tax deduction for personal superannuation contributions: From 1 July 2017, most individuals will be eligible to claim an income tax deduction for any after-tax personal contributions they make to superannuation (subject to the concessional limit). This option was previously largely restricted to the fully self-employed.

First home Super Saver Scheme (FHSSS): The FHSSS allows first-home buyers to save for a deposit inside their superannuation account. Savers will be able to contribute $30,000 (up to $15,000 a year within existing caps), and be able to withdraw the contributions along with deemed earnings in order to help fund a deposit on their first home. Concessional tax treatment applies. Voluntary contributions made from 1 July 2017 are eligible, with FHSSS releases permitted from 1 July 2018. Conditions to access super under the FHSSS include that a member must be aged 18 or more, not have used the FHSSS before, and never owned real property in Australia (an exception may apply on financial hardship). The FHSSS will be administered by the ATO.

Downsizer contributions after sale of the family home: From 1 July 2018 eligible Australians aged over 65 will be able to make an exempt contribution to their superannuation after downsizing their family home. The aim of this measure is to help free up the stock of larger houses for young families, by allowing older Australians to sell their houses and contribute up to $300,000 of the proceeds into superannuation. The usual voluntary contribution rules and restrictions do not apply to downsizer contributions. This measure is proposed to apply to proceeds from contracts for the sale of a main residence entered into on or after 1 July 2018. The home sold must have been held for a minimum of ten years but only needs to have been the main residence for some portion of this. Downsizer contributions must be non-concessional contributions and can be up to $300,000 for an individual or $600,000 (i.e. $300,000 each) for a couple (both parties do not need to be on the home's title).

Superannuation complaints body: The Government has passed legislation to establish a new 'one-stop shop' external dispute resolution (EDR) body — the Australian Financial Complaints Authority (AFCA) — that will deal with all financial disputes, including superannuation disputes from an expected date of 1 November 2018. AFCA is to replace the existing three EDR bodies in the financial system (the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT)) and will operate under an ombudsman model.

Proposed changes yet to be legislated

Amending the Superannuation Guarantee to exclude salary sacrifice contributions: The Government has announced it will amend the Superannuation Guarantee (SG) legislation, effective from 1 July 2018, to:

- Prevent contributions made under salary sacrifice arrangements from satisfying an employer's SG obligations; and
- To specifically include salary or wages sacrificed to superannuation in the earnings base for calculating an employer's SG obligations.

Choice of Fund: The Government proposes to remove the current exemption from Choice of Fund requirements for employees covered by enterprise agreements and workplace determinations.

Have a question?

If you need assistance with your super or would like to speak to a financial adviser for limited personal advice, call the Lutheran Super Helpline on **1800 635 796**. Or visit the website, **www.lutheransuper.com.au** for latest news, information and investment updates.

You can also send a query online by visiting the website, clicking the 'Contact us' tab and completing the online enquiry form.