

If you're like many people, you've probably got some dreams about what you'd like to do when you retire...



It might be travelling – either around the world in five-star luxury or around Australia in a caravan. It might be moving to a country or beachside cottage. It might be enjoying time with friends and family. It might be retiring at 55 rather than 60 or 65. It might be having a nest egg to leave to your children or grandchildren. It might be fulfilling a life-long hobby.

Whatever your retirement dreams are, your superannuation savings may be a key factor in helping you fulfil them. At the OSF, our priority is helping you make the most of your super. In this edition of the OSF newsletter, you'll find some tips and strategies that could help you make sure your *'what I can afford to do'* retirement savings meet, or even better, exceed, your *'what I'd like to do'* retirement goals.

Note: Your super may not be the only factor that impacts on your retirement. You should consider your super in the context of any other sources of income or investments that you may have (including whether you own your home).

By the way...

Here's what some of our members dream about for their retirement...

"I'd like to be interrupted from reading in my hammock overlooking the beach by a reasonably regular diving schedule and about three months travel overseas each year."
— Ashlee Chapman, age 33, Commonwealth Bank Communication

"To quote Margaret Thatcher: "Pennies do not come from heaven; they have to be earned here on earth." I choose to work at the moment because I enjoy the challenge but when I retire, I want to enjoy my retirement without having to go without."
— Dan O'Dea, age 59, Premium Business Services

"To secure an income stream that allows me to maintain the quality of our lifestyle with a seamless transition into retirement, and to ensure the family has a head start into the Sydney property market."
— Luke Bramah, age 42, Financial & Risk Management

"I'd like to live out my dream as a cheese maker and still have enough cash flow to support my studies in street theatre."
— Thuc Doan, age 33, Colonial First State

Good news for super: Federal Budget update

In the May 2006 Federal Budget, the Government proposed plans to remove many of the current tax arrangements and restrictions that apply to super benefits.

Under the proposed plans:

- Super benefits paid from a taxed fund as a lump sum or income stream would be tax-free if you are aged 60 or over. Tax would still apply to benefits taken under age 60, although rules would be simplified.
- Reasonable Benefit Limits (RBLs) would be abolished (see page 4 for more on RBLs).
- You would not be forced to take your super; you could leave it in the super system up to any age.
- Personal (after-tax) contributions would be capped at \$150,000 per year for all ages.
- You could continue to receive deductible super contributions (ie. employer and salary sacrifice contributions) up to age 75.
- There would be a limit of \$50,000 per year for deductible super contributions; contributions over this limit would be taxed at the highest marginal rate.
- The taper rate for the age pension assets test would reduce to \$1.50 per fortnight for ever \$1,000 of assets above the threshold (down from \$3.00 per fortnight).
- Super contributions and earnings would continue to be taxed at concessional rates.

Note: These changes are proposed only at this stage. The OSF will provide more information to members when available.

How can you top up your super along the way? Here are some strategies for you to consider.

1 Make additional contributions

Making additional contributions is one of the easiest ways to boost your super savings, particularly if you start early.

The examples at right show how adding a weekly after-tax contribution could grow your super.

\$50,000 salary:

SG only	\$276,000
SG + \$10 per week	\$320,000
SG + \$25 per week	\$364,000
SG + \$50 per week	\$436,000

\$70,000 salary:

SG only	\$361,000
SG + \$20 per week	\$419,000
SG + \$50 per week	\$506,000
SG + \$80 per week	\$594,000

These examples were calculated using the Australian Securities & Investments Commission (ASIC) superannuation calculator (version 6) (www.fido.asic.gov.au) with the following assumptions: a starting balance of \$20,000 at age 30, employer super guarantee (SG) contributions of 9% plus weekly after-tax contributions of the amounts shown over 30 years, invested in a 'balanced' investment option earning 8% (net of fees and taxes), including the Government co-contribution where applicable and excluding insurance premiums.

Did you know...

Experts estimate that you will need to **save an extra 3-6% of your salary** (on top of your employer's 9% contributions) to live a 'comfortable' retirement.

Association of Superannuation Funds of Australia (ASFA), 2005

There are several ways you can make additional contributions to super:

	Personal contributions	Salary sacrifice contributions	Spouse contributions
What?	<ul style="list-style-type: none"> These are voluntary contributions that you can make to your super from your <i>after-tax</i> salary¹ (also known as 'undeductible contributions'). You can make personal contributions to the OSF via payroll deduction, direct debit or cheque. 	<ul style="list-style-type: none"> These are voluntary contributions that you can ask your employer to make on your behalf from your <i>pre-tax</i> salary¹ (also known as 'deductible contributions'). 	<ul style="list-style-type: none"> These are voluntary contributions that you can make to your spouse's super. Once contributions are made to a spouse account, they are vested in your spouse's name; you (as the contributing spouse) cannot access these benefits. Note: New laws also allow you to transfer some of your own super to your spouse (read more about contribution splitting on page 4).
Who?	<ul style="list-style-type: none"> Division F Ordinary and Post-Employment members can make personal contributions to their account. 	<ul style="list-style-type: none"> Eligibility to salary sacrifice depends on your employment arrangements. More information is available from PeopleConnect on 1800 989 696 or email PeopleConnect@cba.com.au. 	<ul style="list-style-type: none"> Only Division F Ordinary members (ie. the contributing spouse) can establish a spouse account and make contributions on their spouse's behalf. The Spouse member cannot make contributions to their own account.
Why?	<ul style="list-style-type: none"> If you make personal contributions and earn less than \$58,000 per year, you may be eligible for up to \$1,500 in Government co-contributions (read more on page 3). Investment earnings on your super are taxed at no more than 15%, compared with other investments, which may be taxed at your marginal tax rate. 	<ul style="list-style-type: none"> Salary sacrifice contributions to your super are taxed at a concessional super rate of 15% instead of your marginal tax rate¹. Your taxable income is reduced, therefore the tax payable on your income may be reduced. 	<ul style="list-style-type: none"> If your spouse earns less than \$13,800 per year, you may be eligible for a tax offset for any spouse contributions that you make. Having a spouse account means that both you and your spouse will be eligible for the tax free threshold¹ and the reasonable benefit limit¹ (RBL), effectively doubling the amount of tax-free and concessional tax super you can receive as a couple (read more on RBLs on page 4).
How?	<ul style="list-style-type: none"> OSF Intranet > Library > Forms > Make a personal contribution via payroll or via cheque/direct debit Contact OSF Investor Services on 1800 023 928 	<ul style="list-style-type: none"> CommNet home page > Our people > PeopleConnect > People Self Service (PayQuest). After you log in, go to Create My Work Request > Package > Salary Sacrifice Superannuation 	<ul style="list-style-type: none"> OSF Intranet > Library > Forms > Open an OSF Spouse Account

¹ Under proposed legislation changes, limits may apply to how much can be contributed to super. The tax-free threshold and RBLs may also be abolished. Refer to Federal Budget update on page 1.

2 Consolidate your super

If you've had more than one job, you may also have more than one super account.

Consolidating your super into one account may seem like a difficult or confusing process but, in the long run, it may minimise the fees you are paying, reduce the amount of paperwork you receive and help you take control of your super.

HOW? Consolidating is as easy as going to the OSF Intranet > Library > Forms > **Transfer money from another fund into your OSF account (Division F)**. Send the completed form to the other super fund that currently holds your super.

Note: The OSF does not charge you a fee to transfer money into your account. However, you should check with your old fund to see if they charge an exit or transfer fee.

Do you know where all your super is?

If you think you may have some 'lost' super, you can search for it on the Australian Taxation Office's website. Go to www.ato.gov.au/super and click on the 'SuperSeeker' link. You will need your tax file number to complete the search.

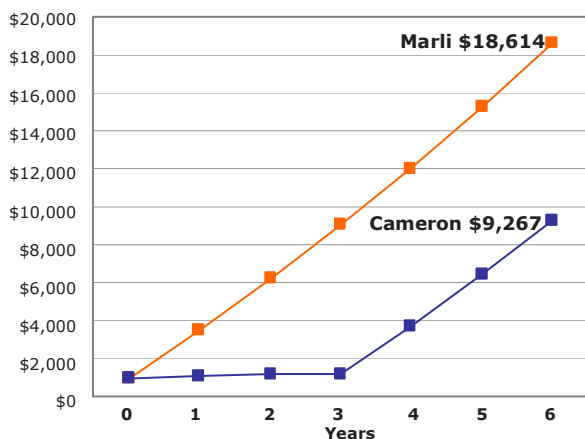
3 Get an early start!

When it comes to making additional contributions to your super, the earlier you can make them, the better.

Super works on a 'compound' basis, which means that you earn investment returns on your contributions and over the longer term you earn investment returns on your investment returns.

Here's how it compares:

Marli and Cameron each invested an initial amount of \$1,000. Marli immediately began making regular monthly contributions of \$200. Cameron waited three years before beginning his regular monthly contributions of \$200.



At the end of six years, Marli's balance is \$18,614¹ and Cameron's balance is \$9,267¹. Bearing in mind that Cameron has contributed \$7,200 less than Marli, waiting three years before beginning his contributions means he has missed out on **\$2,147** that he could have earned through the power of regular contributions and compound interest.

Source: Commonwealth Bank. These figures assume a 6% p.a. return but do not take into account tax, fees or inflation.

4 Take an active interest in your super investment

Division F members are eligible for Member Investment Choice, which means you can choose from a range of investment options for your account.

The investment return that applies to your account depends on the investment options you choose. Each investment option has a different investment strategy and different levels of expected growth and risk.

Every member's circumstances are different. To make sure you choose the right investment options for your needs, here are some things you should consider:

- What level of income do you hope to have in retirement?
- How long do you have before you retire?
- What level of investment return do you need to help you meet these goals?
- How much risk (or fluctuation in your investment) are you comfortable with?

Before making any investment decisions, please ensure you have read the current Product Disclosure Statement (PDS), which outlines each investment option, including the associated fees and risks.

The PDS is available from OSF Investor Services or the OSF Intranet > Library > PDS.

Did you know...

As a Division F member, you now have **online access to your account** via FirstNet. You can monitor your account balance, view investment performance and make some transactions online at www.osfsuper.com.au.

Does \$1,500 tax-free from the Government sound good?

If you make personal after-tax contributions to your super and your total income is less than \$58,000 per year, you may be eligible for a Government super co-contribution. For each \$1 of after-tax contributions you make, the Government will contribute up to \$1.50 tax-free to your super, to a maximum of \$1,500 (some conditions apply).

If your total income is less than \$28,000 per year, you may be eligible for up to the full \$1,500 co-contribution. If your income is between \$28,000 and \$58,000 per year, the \$1,500 maximum reduces by five cents for every dollar of your income over \$28,000. For example:

Your annual income	If you contribute (after tax)		
	\$200	\$500	\$1000
\$28,000 or less	\$300	\$750	\$1,500
\$35,000	\$300	\$750	\$1,150
\$50,000	\$300	\$400	\$400

More information? OSF Intranet > Library > Fact Sheets > **Government co-contribution**

Can you have **too much** super?

IMPORTANT NOTE:

The information in the following section is based on current super and tax laws at July 2006.

However, in the May 2006 Federal Budget, the Government **proposed plans to remove many of the current tax arrangements and restrictions** that apply to super benefits, including RBLs, from 1 July 2007. Refer to the Federal Budget update on page 1 for more information on the proposed changes.

There are currently major tax implications associated with super. The taxation system is complex and members will have different personal circumstances. You should consider seeking professional financial planning and/or taxation advice before making any decisions that affect your future.

Although super is a tax-effective way of saving for your retirement, there are currently limits on how much super you can receive at reduced tax rates.

At the moment, the Government sets limits on the amount of super that you can receive over your lifetime on a concessional tax basis. These limits are known as 'Reasonable Benefit Limits' or RBLs.

Any super benefits that you receive in excess of these RBLs may be taxed up to the highest marginal tax rate (plus 1.5% Medicare levy).

There are currently two RBLs — the one that applies to you will depend on how you withdraw your super:

Pension RBL = \$1,356,291	The Pension RBL may apply if you take more than half of your assessable benefits as a qualifying pension or annuity. Generally, this must be a pension or annuity that: <ul style="list-style-type: none">● is payable for life (or life expectancy),● is paid at least annually,● can only be commuted (ie. converted to a lump sum) in limited circumstances, and● does not have a residual value.
Lump sum RBL = \$678,149	The Lump Sum RBL applies if you take more than half of your assessable benefits as a cash lump sum or a pension or annuity that does not meet the standards above.

RBL amounts shown are for the 2006/07 financial year.



Here's one way to stay under your RBL: Split contributions with your spouse!

Under new laws, you can transfer some of your super to a super account in your spouse's name.

This means that if you are close to your RBL but your spouse isn't, you can spread your super across two accounts.

Remember: Under proposed changes, RBLs may be abolished from 1 July 2007. You should consider seeking professional financial planning and/or taxation advice to decide if contribution splitting is appropriate for you.

Contributions made on or after 1 January 2006 may be eligible for splitting as follows:

- Up to 85% of deductible contributions, ie. compulsory employer allocations and salary sacrifice contributions
- Up to 100% of undeductible contributions, ie. personal after-tax contributions that you make.

Existing super benefits, eligible termination payments and rollovers from other funds cannot be split.

You can apply to split your contributions once per year, at the end of the financial year in which they were made. This means that, at the moment, you can only apply to split contributions you have made between 1 January 2006 and 30 June 2006.

You can also apply to split your contributions during the year if your entire benefit is to be transferred out of the OSF.

Note: Once contributions are made to a spouse account, they are vested in your spouse's name; you (as the contributing spouse) cannot access these benefits.

HOW?

- ▶ OSF Intranet > Library > Forms > **Split super contributions with your spouse**
- ▶ Contact OSF Investor Services on **1800 023 928**

A good reason to think about your super...now!

There is a shortfall of around \$20,000¹ per year between the maximum government age pension and the amount experts estimate is required for a 'comfortable' retirement.

The following graphs shows how the annual figures measure up.

A 'modest' lifestyle is considered to be better than the age pension but still only affording basic activities.

A 'comfortable' lifestyle enables a good standard of living including a reasonable car, good clothes, domestic and occasional overseas travel, electronic equipment, a broad range of leisure and recreational activities, and private health insurance. These figures assume the retiree owns their own home.

Per single per year ¹ :	Per couple per year ¹ :
Age pension \$12,992	Age pension \$21,694
Modest lifestyle \$17,756	Modest lifestyle \$24,919
Comfortable lifestyle \$34,563	Comfortable lifestyle \$46,297

Remember: If you receive income from super or other investments, you can't simply add this to the pension entitlements shown above. The pensions shown are the maximum entitlements (without allowances) and they are subject to income and assets tests to determine your actual entitlement.

¹ Based on Centrelink age pensions at 30 March 2006 and the ASFA/Westpac Retirement Living Standards, December 2005.

So, is compulsory super enough?

Harry has just retired at age 65. His super savings consist only of his employer's compulsory contributions; he has not made any other contributions to his super. When Harry retires, he has a lump sum of around \$297,000² in super. His other savings are also within the asset test limits, meaning Harry is eligible for an age pension .

Harry might expect to receive an annual gross retirement income of around \$28,000², which is made up of a single rate age pension and a complying super pension.

'Comfortable' lifestyle (single) — \$34,563 p.a.

Harry's estimated income — \$28,000² p.a. \$6,500 p.a. short

This means that Harry may still be around **\$6,500** a year (or \$250 per fortnight) short of a 'comfortable' retirement.

² This example was calculated using the Association of Superannuation Funds of Australia (ASFA) Super Smart Planner (www.asfa.asn.au) with the following assumptions: no starting balance, a final salary of \$50,000 with employer super guarantee (SG) contributions of 9% over 40 years, investment earnings of 7% (net of fees and taxes).

The 'super' marathon!

Imagine you're a 'super' athlete: you're currently running the 'work' marathon and your super benefits will be your reward at the end of the race. To be successful in any race, you need to plan ahead. Here are some things to think about.

What is my goal?

Do you aspire to a gold or silver medal, being the best retirement you could possibly imagine? Or will you be happy just to finish the race? Your individual goals are the key to planning your race strategy. Having a clear idea of what your starting conditions are will also help you know whether your goals are achievable.

If you have the same goal as another runner who has a 10- or 15-year head start, you'll both need different strategies to meet your goals. Likewise, if you enter the home stretch in the middle or back of the pack, you may not have enough time left to change your mind and make a dash for gold.

How long is my race?

Your race towards retirement has a fixed end-point, which for most people will be between ages 55 and 60 (based on their preservation age). However, the time you have available to run your race could be anywhere from less than five years to more than 35 years.

Combining your timeline with your goals will help you set up an achievable race plan. And like most races, a steadier pace over a longer period is likely to leave you feeling better at the end than a last-ditch sprint for the finish!

What's the race layout and what's my strategy?

You'll probably face many conditions along the way that will affect your performance and race plan; obstacles such as changing careers, buying a house, getting married, having children, or becoming ill.

Being aware of or planning for these events before they occur may help you decide on the most appropriate detours to make, and if you're lucky, you may notice little or no effect at the end of the race.

Am I on track?

It can be easy to forget about your super; for many people, it's still a long way off. Along the way it makes sense to check your stopwatch. Are you sticking to your race plan? Do you need to adjust your pace or style to make sure you are still heading in the right direction?

What do I do at the finish line?

There are unlikely to be media or photographers waiting to interview you at the end of your race but you'll still have a number of important decisions to make. What's the best way to collect your prize? How can you make your celebrations last longer?

There are significant financial implications associated with receiving your super benefits, so deciding how and when to take them will be an important consideration. You may want to seek professional financial planning and/or taxation advice to help you prepare your 'post-race' strategy.

What if something goes *wrong*?

Even with the best intentions, sometimes things just don't go according to plan. At these times, it becomes more important than ever to have peace of mind that you and your family are protected.

The OSF Trustee has an insurance policy for death and total and permanent disablement (TPD) cover for eligible members. These are generally full-time employees or part-time employees working more than 10 hours per week, who are under age 70. Note: TPD cover reduces progressively after age 60; no TPD cover is available after age 65.

Some benefits of your OSF insurance

- If you are eligible for insurance when you join the OSF, you have **automatic acceptance** for insurance cover equal to four times your notional salary, up to a maximum of \$1 million cover.
- The OSF can claim a tax deduction for insurance premiums, which is then passed on to you as **reduced premiums**.
- Your insurance **premiums are automatically deducted** from your Division F account balance each month, so you don't have to worry about the payments.

How to apply for or change your insurance

- ▶ OSF Intranet > Library > Forms > **Apply for, increase or decrease your insurance cover**
- ▶ Contact OSF Investor Services on **1800 023 928**

Please make sure you have read the insurance terms and conditions in the current Product Disclosure Statement before you make any decisions (available from OSF Investor Services or the OSF Intranet > Library > PDS).

What you should know about your insurance

- If four times your notional salary is greater than \$1 million (ie. the automatic acceptance limit), you will only be covered for this amount. You must apply for additional cover over \$1 million and provide the insurer with additional evidence of health. If this applies to you, OSF Investor Services will contact you to make arrangements for additional cover.
- You can apply to increase or decrease your insurance cover to a level that suits you, subject to a maximum of 10 times your notional salary and a maximum of \$5 million for death cover and \$2 million for TPD cover. Note: If you apply for increased cover, the insurer will ask you to provide additional evidence of health to assess your application.
- Your insurance cover is subject to pre-existing condition, suicide and war clauses.
- All insurance benefits are subject to acceptance by the insurer based on the terms and conditions of the Trustee's policy.

Who gets your super if you die?

In the event of your death, your super benefits (ie. your account balance plus any insurance benefit that may be payable) will be paid to your spouse, other dependants and/or your estate in proportions determined by the Trustee. You can nominate a preferred beneficiary (and change it at any time), which may help the Trustee decide who should receive your benefits. However, the Trustee has a discretion and does not have to follow your nomination.

HOW?

- ▶ OSF Intranet > Library > Forms > **Nominate a Preferred Beneficiary**
- ▶ Contact OSF Investor Services on **1800 023 928**

Check your *progress*

Want to know how much super you're likely to have when you retire?

Or perhaps see the effects of making additional contributions or earning different investment returns?

Check out the useful calculators on these sites:

- ▶ Australian Securities & Investments Commission (ASIC): **www.asic.gov.au/fido** > Superannuation Calculator
- ▶ The Association of Superannuation Funds of Australia (ASFA): **www.asfa.asn.au** > Calculators

Contact us

If you have an enquiry about OSF membership, your benefit entitlement or any other matters, please contact us.

For members of Division F:

- Phone:** **1800 023 928** between 8.30am and 5.00pm (Sydney time), Monday to Friday
- Fax:** (02) 9303 7700
- Email:** osfms@colonialfirststate.com.au
- Intranet:** From CommNet: go to Our People > Staff Super > Our Super Fund
- From Cmore (Retail Banking Services): click on the 'Staff Super' link under Sites
- Internet:** www.osfsuper.com.au (for access to FirstNet)

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