

# insight

Member newsletter

Spring 2019



vision  
super

**Investment update**

**You're invited to our 2019 annual  
member meeting**

**SMSF - The facts**

**Super and the age pension**

Hopetoun Falls, VIC



# Please join us at our 2019 Annual Member Meeting

11 December 2019

State Library of Victoria, corner Russell and Latrobe Streets  
Melbourne - entrance number 3

5:30pm refreshments and canapes, for a 6:00pm start

## Speakers

Vision Super's Chair, CEO, CIO, CFO and other senior executives will be presenting. We'll review fund highlights for the year and show you what we have planned for the next 12 months.



**Geoff Lake**  
Chair



**Stephen Rowe**  
Chief Executive Officer



**Michael Wyrsh**  
Chief Investment Officer



**Noelle Kelleher**  
Chief Financial Officer



**Everyone's welcome**  
All Vision Super members  
and their partners are welcome

**Book a spot at [www.visionsuper.com.au/amm2019](http://www.visionsuper.com.au/amm2019)  
or by calling 1300 300 820.**

**Prefer to watch online? Live stream at  
[www.visionsuper.com.au/ammlive](http://www.visionsuper.com.au/ammlive)**

You will have an opportunity to ask questions about the Fund and its performance.

Light refreshments will be served.

Register now as spaces are strictly limited.

## Investment update

Volatility was a key theme of the quarter. One of the core signals that triggered the volatility was from the bond market where the interest rate on the 10-year US treasury note fell below the 2-year rate.

This is described as an "inverted yield curve" and is unusual because investors in the bond market typically demand higher interest rates as they lend for longer periods. Historically speaking, this is a sign that the bond market considers short term interest rates set by the US central bank, the Federal Reserve, as currently too high and will need to be cut sometime in the future to counter future economic weakness or a potential recession.

### US China tensions

Domestically the US economy has actually been showing reasonable growth, with a very low unemployment level. However, the main concern surrounding economic growth is the potential of a full-blown US-China trade war. Recently, tensions between the US and China have been easing with the US delaying the scheduled hike in tariffs (taxes on imports). This could be attributed to President Trump attempting to avoid going into the upcoming US election during an economic recession, and the fact that some of the US's tariffs actually hurt Trump's voters. The US Federal Reserve has noted in a recent speech that business investment and exports have both weakened. The impact on Australia's economy is not likely to be direct, but rather, the cascade effect from lower growth in China and the US.

The effect of the trade-war can already be seen in Germany as its manufacturing and exports have both declined in the last eighteen months. If the US does proceed with a car tariff on the EU, there is a realistic chance that Germany could fall into a recession. This is a huge concern for the EU as Germany is a top trading partner for many EU nations.

### Brexit

The United Kingdom has continued its negotiations to leave the European Union deciding to go to an election over the issue. Irrespective of future events, the delay and uncertainty caused by these negotiations has had negative impacts on the UK and the European Union. In the worst-case scenario of a no-deal Brexit, the UK would fall back onto World Trade Organisation rules, this means tariffs and border checks.

### Saudi Arabia – drone strikes

The recent drone strike on Saudi's oil fields has added uncertainties to the world economy. Although the attack shut down around half of Saudi oil output capacity, it was recovered much earlier than expected. However, if the market is not confident that there will not be another attack, higher oil prices could prevail, hurting oil importing nations.

### Global growth and interest rates

As the global growth outlook has slowed, interest-rates have continued to decline with around 30% of the global bond market now generating negative yields. Part of this has been due to the move by many central banks around the world to cut interest rates, including the Reserve Bank of Australia. In aggregate, these lower interest rates help support the global economy. Over the last decade, corporates have been building up their debt levels. In the US, the average quality of corporate debt has declined as investors chase higher returns from riskier issuers. China also has a high level of debt, as state-owned banks previously lent money to other government branches to stimulate its economy. In a scenario of a full-blown trade war, these pockets of excessive credit may suffer and potentially exacerbate a global slowdown.

Pricing in share and bond markets reflects the aggregate decisions of all investors as they weigh up their views on the outlook. While global growth is modest and slowing, interest rates are supportive. The US China trade war remains on close watch by investors as this presents a clear risk that could quickly derail global growth.



For the latest investment returns, unit prices and financial market updates visit [visionsuper.com.au/investments](http://visionsuper.com.au/investments)



# SMSF - The facts

Many people have considered the idea of running their own Self Managed Super Fund (SMSF) at one stage or another. But there are a few very important things that you need to consider before you make this major financial decision and move your life savings over.

## Let's start with the basics, what is a SMSF?

If you've heard of a SMSF you might think it's not that different from an industry fund like Vision Super. The truth is, the major similarities are that your employer is able to pay into it, it receives subsequent earnings based on your chosen investments, and when it's time to retire, it will fund your retirement. Once you get a SMSF off the ground, however, you'll notice there are many responsibilities of managing your own funds compared to having an industry fund do it for you.

In a SMSF, you are ultimately responsible for making sure it is compliant with all the relevant laws and regulations. There are also other issues to consider; there cannot be more than 4 members of the SMSF, there is no default insurance cover, and the administration is reliant on the members (such as accounting, tax and fees).

## Where can I invest?

While there is more control on where you invest, with that comes the responsibility of investing wisely. Will your SMSF's returns rival that of an already established super fund like Vision Super? You will need the necessary financial knowledge and skills to make the right decisions, as well as manage a range of legal obligations.

With an industry fund like Vision Super, you get the best of both worlds – a fund that's run to benefit members, not to profit shareholders, and a variety of investment options to choose from – without the potential headaches and compliance nightmares that can come with managing your own super.

It's important to note also, that while you can invest directly into property, you cannot live in the property, nor can your family live in it. Similarly, you cannot buy an investment property for your family to lease from you – it can only be leased by an unrelated third party. The ATO applies this rule to prevent you from directly benefiting from the asset<sup>1</sup>.

## What is required to set up a SMSF?

- Amongst other things, when you run your own SMSF you must:
- Be the trustee or director, which imposes important legal obligations on you,
  - Have the financial experience and skills to make sound investment decisions,
  - Have enough time to research investments and manage the fund,
  - Budget for ongoing expenses, such as professional accounting, tax, audit, legal and financial advice, and
  - Keep comprehensive records and arrange an annual audit by an approved SMSF auditor<sup>2</sup>.

Remember, if you decide to set up a SMSF, a professional can provide advice and assistance but you're ultimately responsible<sup>3</sup>. Having your super in an industry fund like Vision Super takes the stress and responsibility out of securing your retirement. We do it for you.

## What if something goes wrong?

Like other super funds, Vision Super is regulated by the Australian Prudential Regulation Authority (APRA) which means members have protections if something goes wrong. Many of these protections are not available to you if you have a SMSF.

29% of members of a SMSF mistakenly believe they have some sort of protection for fraud according to an ASIC survey<sup>4</sup>. As a member of Vision Super you may be eligible for financial assistance if loss is suffered as a result of fraud or theft however this is not available to SMSF members.

At Vision Super, and with all APRA-regulated funds, the fund must address member complaints and where the complaint remains unresolved, must offer access to the Australian Financial Complaints Authority (AFCA), which is a free and independent complaints resolution service.

SMSF members must resolve their own complaints, which may require costly legal assistance. Under AFCA, SMSF complaints are not classed as superannuation complaints and are considered under their investments and advice jurisdiction.

## Have you looked at your responsibilities?

To run a SMSF it takes time and expertise, not to mention cost. There are establishment costs, operating costs and investment management costs. A recent press release from ASIC urged consumers to question whether SMSFs are right for them, and in doing so, released a fact sheet that will be sent to all newly registered SMSF trustees as of November 2019. The fact sheet lists average fees of running at SMSF at \$13,900 per annum, and time spent running a SMSF at 100+ hours per year<sup>5</sup>.

It's little wonder that an ASIC report found 32% of people surveyed found running a SMSF to be more expensive than they expected and 38% believed it would be less time consuming<sup>4</sup>. In fact, this same report found many Australians do not understand fully the risks of SMSFs, or their legal obligations as trustees.

Meanwhile, the Productivity Commission super report found the returns aren't guaranteed to be any better. SMSFs with balances under \$1 million delivered on average returns below larger funds, and that the costs for low-balance SMSFs are higher than for industry funds<sup>4</sup>, such as Vision Super.

## Is this right for me?

Before setting up a SMSF you need to consider all the options and seek professional advice. There are many professionals who specialise in SMSFs such as financial advisors or tax agents. They can provide advice to help you understand:

- what an SMSF is
- the requirements and costs of setting one up
- your investment options and risks.

Most importantly, they can help you figure out if this type of fund is right for you. If you need more information about your Vision Super account, call us on 1300 300 820 Monday to Friday between 8:30am and 5pm.

## Advantages

- 1 Control over which assets to invest in
- 2 Ability to manage capital gains tax
- 3 Able to purchase business property
- 4 Control over payment of death benefits

## Disadvantages

- 1 Requires considerable time and effort and is a long-term commitment
- 2 Penalties for non-compliance
- 3 Expensive for small balances
- 4 Strict rules on acceptable investment assets

<sup>1</sup> <https://www.moneysmart.gov.au/superannuation-and-retirement/self-managed-super-fund-smsf/smsfs-and-property>

<sup>2</sup> <https://www.moneysmart.gov.au/superannuation-and-retirement/self-managed-super-fund-smsf>

<sup>3</sup> ATO booklet, "Thinking about self-managed super. Six steps to work out if managing your own super is right for you"

<http://www.investors.asn.au/assets/resources/education/smsf/ThinkingAboutSMSFATO.pdf>

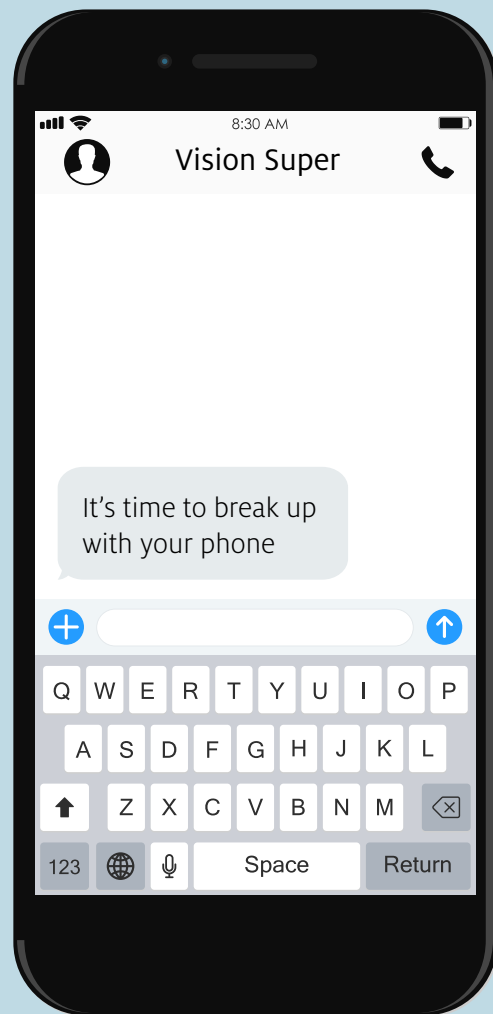
<sup>4</sup> <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-192mr-smsf-advice-needs-significant-improvement/>

<sup>5</sup> ASIC fact sheet, "Self-managed super funds: Are they for you?" <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2019-releases/19-277mr-asic-urges-consumers-to-question-whether-smsfs-are-right-for-them/>



# DIGITAL DETOX

Here's some interesting stats about how the the digital world has shaped the world, and what we can do to finally unplug.



6.2

The number of devices per household that access the internet<sup>1</sup>

91%

of Australian teens aged 14 - 17 own a smartphone<sup>2</sup>

75%

are already on to their second or subsequent handset<sup>2</sup>

42%

of users (aged 18+) report using their mobile phones when driving<sup>3</sup>

6.5 - 7.5 hours

Teens are forgoing sleep for screen time, getting well under the recommended 8-10 hours<sup>4</sup>

The pressure to be constantly available and responsive on social media can cause depression, anxiety and decrease sleep quality. There's even a word for it – nomophobia – so if you feel like you've had enough of screen time, follow these easy steps to finally switch off.

- Keep your phone out of reach when driving – store it in the glovebox or boot
- If you're in a car and the driver is touching their phone, speak up!
- Make your and your children's bedroom a digital-free sanctuary by moving chargers to the kitchen
- Buy an alarm clock so you don't have to rely on your phone in the bedroom
- Talk to your children about the importance of sleep
- Turn off screens an hour before bedtime
- Establish a routine to train your brain to wind down, such as a warm shower or a relaxing activity before bed

<sup>1</sup> <https://www.abs.gov.au/ausstats/abs@.nsf/mf/8146.0>

<sup>2</sup> <http://www.roymorgan.com/findings/6929-australian-teenagers-and-their-mobile-phones-june-2016-201608220922>

<sup>3</sup> Problematic mobile phone use: An emerging disorder? Australian Psychological Society <https://www.psychology.org.au/for-members/publications/inpsych/2017/oct/Problematic-mobile-phone-use-An-emerging-disorder> October 2017

<sup>4</sup> Aussie teens forgo sleep for screens [https://www.vichealth.vic.gov.au/-/media/Files/PDFs/Embargoed-media-release\\_Aussie-teens-forgo-sleep-for-screens.pdf?la=en&hash=7906FAB6ACF43764B7C576E7E749FE49EFED8A47](https://www.vichealth.vic.gov.au/-/media/Files/PDFs/Embargoed-media-release_Aussie-teens-forgo-sleep-for-screens.pdf?la=en&hash=7906FAB6ACF43764B7C576E7E749FE49EFED8A47)



## How does changing jobs affect your super?

Did you know that when you change jobs, we can come with you? Changing jobs is both exciting and nerve-wracking, and making sure your super is going into the right account shouldn't be something you need worry about.

If you don't tell your employer you already have a Vision Super account when you start a new job they will set up a new one for you, which is one reason why so many Australians have multiple super accounts.

According to the Australian Taxation Office (ATO), 24% of Victorians have two accounts and 12.75% have three or more, which is seriously concerning<sup>1</sup>. ASFA's Super Guru did the maths on this and found if you have one account, you may pay \$10,500 in fees over 30 years, so if you're one of those with five accounts, you could end up paying \$52,500<sup>2</sup> in that same time-frame.

If you don't get to provide your details when signing your employment contract don't worry - you have up to 28 days to provide your employer with your super fund details. And worst case, you can always get additional accounts that have been opened consolidated into your Vision Super account via your online access.

Or call us and we'll do it for you!

<sup>1</sup> <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Super-accounts-data/Multiple-super-accounts-data/>

<sup>2</sup> Super Guru, "Sorting out your super" <http://www.superannuation.asn.au/ExternalFiles/e-comms/docs-media/mr140902-msw-guide.pdf>

### Vision Super tips

1

If you are over 18 and have a job where you earn more than \$450 in a calendar month, your employer needs to **pay you super**.

2

Unless you have an EBA that restricts you to the one super fund, when you change jobs you will be given the option to **nominate a superannuation account of your choice**. Just fill out a Choice of Fund form.

3

**Check your payslip regularly.** Your employer may pay you your wage weekly or fortnightly, but a lot of employers pay super on a different schedule. Make sure what is listed on your payslip corresponds with your payment in that period.

4

If you have discrepancies in payments, **the first step would be to talk to your employer** because there may be a reasonable explanation why you're owed money. If not, the ATO can help you recover any contributions your employer has not paid.

5

**Consolidate\***! If all else fails and you end up with multiple accounts, all you need to do is log into your Vision Super account and complete a super search. You'll be able to roll in any funds you find by clicking a button, it's that easy.

\* While Vision Super offers a free service to help transfer your other super funds into your account, before you rollover, you should consider any fees or charges that may apply, and the effects this may have on your benefit entitlements, such as your insurance cover, which may cover you for life, disability or income.



## Privacy update

Our privacy policy has changed!  
Head to [visionsuper.com.au/privacy](https://visionsuper.com.au/privacy) to view the updates.

**PRINT AREA**

## Your **quarterly** newsletter

Log in to **Vision Online** to keep up to date with your account and what's happening at Vision Super.

Your membership number

## THE ANNUAL REPORT AND YOUR ANNUAL STATEMENT IS AVAILABLE NOW

### How to get your statement:

- ▶ Log in to Member Online
- ▶ Click Benefit Details from the home page
- ▶ Click "Previous Statements" from the drop down on the left hand side

### While you're there, go to

- ▶ "My details" on the left hand side
- ▶ Check that your preferred communication method is set to "email"
- ▶ Check that your email address is listed

### The annual report is on our website

- ▶ Go to [www.visionsuper.com.au](http://www.visionsuper.com.au)
- ▶ Click on "Forms/publications" across the bottom
- ▶ Expand the dropdown entitled "Annual reports"
- ▶ Or, let us know you'd like a copy posted!

