



Insight

MEMBER NEWSLETTER **DECEMBER 2021**



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CEO update

We all breathed a sigh of relief at the end of 2020, anticipating that 2021 would bring some relief from the pandemic and a new start! While it may not have seemed that way while those in Melbourne and Sydney were living through lockdowns and Covid restrictions, the year did bring the rollout of safe and effective vaccines that have started to shift the world towards a new normal.

During the difficulties of the pandemic, we saw so many of our members in local government going above and beyond to make sure their communities could still function and people could get the services they needed. These people are our Local Heroes, and the Vision Super Local Heroes awards are our recognition of their tireless work on behalf of us all. You can read about some of our nominees in the newsletter.

The year also saw positive returns for most of our Vision Super options, with equities markets around the world performing pretty strongly despite the pandemic. As far as we're concerned, that's a good measure of our success, because it means more money in members' accounts for your retirements. The investment outlook for 2022 is an interesting one – you can find all the details from our Investment team in their update.

As we close out 2021 and I write this introduction, we're already well into 2022, but I'd like to take the opportunity to wish you and your family a safe, happy and prosperous 2022. The Lunar New Year has just passed, so for any of our members with a Chinese background, Gong Hei Fat Choy – wishing you prosperity and good fortune for the Year of the Tiger.

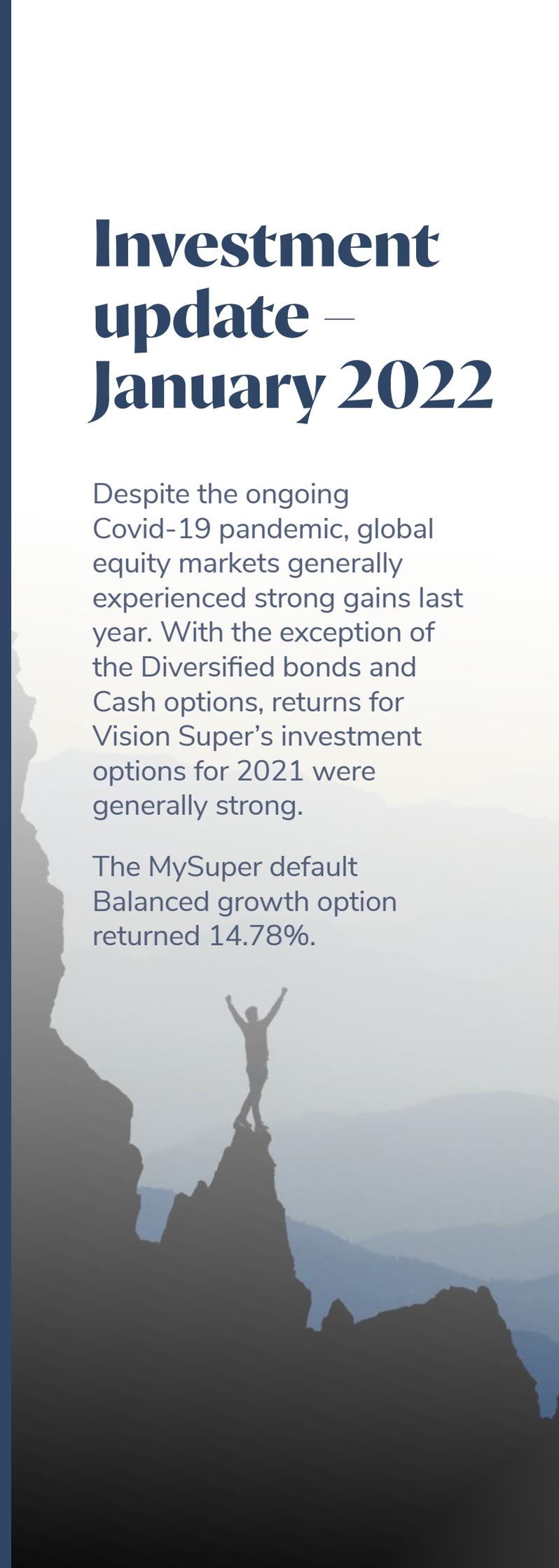
Best wishes,

Stephen Rowe
CEO

Investment update – January 2022

Despite the ongoing Covid-19 pandemic, global equity markets generally experienced strong gains last year. With the exception of the Diversified bonds and Cash options, returns for Vision Super's investment options for 2021 were generally strong.

The MySuper default Balanced growth option returned 14.78%.



Covid-19

One of the key developments in 2021 was the progressive roll out of the Covid-19 vaccines. While they took time to manufacture, distribute and use, the vaccines meant the world could move progressively to open up. This provided a material boost to equity markets.

In the middle of the year, the Delta variant emerged, which resulted in softer activity for a short period. While this variant was more infectious, the economic and market impact was less than the initial Covid-19 wave.

In Australia, the impact of Covid-19 was generally less than other developed countries as we were able to limit entry and transmission of the virus to a greater extent. That said, the Delta outbreak in the latter half of the year in NSW and Victoria resulted in a protracted lockdown in these states.

US politics

Another key aspect of 2021 was the US Democrats having presidential power and power in both houses of Congress. This provided the platform to remove US political gridlock and allowed exceptionally large US fiscal stimulus packages to be approved.

Rising US inflation

By the second quarter of 2021, US inflation began to surprise on the upside versus consensus expectations, reflecting factors such as strong demand for goods and supply constraints (eg shipping). The US Federal Reserve (the Fed) initially indicated that it was not concerned as it believed that higher inflation was transitory. However, by the end of the year, the Fed had become more concerned and signalled that it is likely to raise interest rates in 2022.

Australia

While US core inflation has risen to the highest level of several decades, recent Australian inflation has been materially lower than US inflation. This has allowed the Reserve Bank of Australia (RBA) to maintain very stimulatory policy throughout 2021. The RBA has also communicated that it does not expect to raise the official cash rate although we expect an increase this year. RBA policy helped underpin very rapid house price growth in 2021, with the CoreLogic Capital City Dwelling Prices (8-city) increasing by 21.0% over the year to December 2021.

Outlook

The global economic recovery is expected to continue in 2022. At the time of writing, the Omicron variant of COVID-19 is spreading quickly. We expect that this will have a material short-term impact on global activity but will not derail the recovery. While this variant has a much higher transmission rate than the Delta variant, it is less severe. Reflecting this, we anticipate that global activity will weaken in the first few months of the year and then improve progressively once virus case numbers peak. We also expect that Omicron will increase immunity to Covid-19 as it is likely to infect a materially higher proportion of the population than other variants. A key downside risk is that the virus mutates into a severe disease that is highly transmissible, with vaccines less effective against it.

Along with Covid-19 developments, the US inflation path is likely to be important for investment markets. We expect that it will remain higher than the Fed's 2% target for longer than the consensus expects and be a headwind for equity markets. The downside risk to our central case is that the Fed needs to raise interest rates more than we expect, resulting in weak growth in 2023. Conversely, lower than expected US inflation would likely provide a boost to equity markets.

We anticipate that returns will be lower over the medium-term versus recent years, as valuations are elevated. In addition, potential growth is declining as a result of high debt levels and deteriorating demographics.

Investment returns are not guaranteed. Past performance is not a reliable indicator of future returns.

Recognising the Local Heroes of Local Government

With so much of our world turned upside down by the Covid-19 pandemic over the last two years, one thing in particular has come sharply into focus: the day-to-day work that keeps our communities running, and the workers who make it all possible, are the everyday champions who make our lives and neighbourhoods the places we love to live and work.

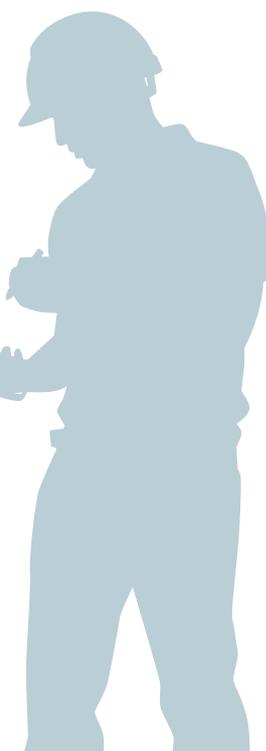
And that's what makes them our **Local Heroes**.

The people who keep our world running – childcare workers, community support workers, workers in waste management, road repair, administration, and so many others – have always been the folks who are ready to get up and give their all for the community. In the last few years, the world has come to understand how essential these workers are.

Vision Super was founded in 1947 for workers in these industries, so it's a story that goes straight to our heart. The ongoing pandemic has proved just how critical workers in Local Government are to the everyday services we all rely on, so Vision Super wants to recognise these essential workers for what they are – Local Heroes going above and beyond to make the lives of friends, neighbours, and our local worlds that little bit better each and every day.

Rosalie Rogers

Rosalie Rogers from Mount Alexander Shire is one of these Local Heroes. Rosalie was nominated for this year's awards for going above and beyond to look after vulnerable elderly members of our community and their carers during the pandemic, despite the incredible stress on support workers like her. Rosalie has helped these concerned community members by talking them through the My Aged Care process, explaining the system and allaying their fears. Rosalie's cheerful and calm demeanour, her wealth of knowledge and her compassionate response to crisis led directly to her 'outstanding' example. Through thick and thin, Rosalie has assisted vulnerable and elderly community members in feeling that they are not alone, and that the Mount Alexander Shire can help guide them through a stressful and cumbersome system, even at the weekend.



Gary Lee

After more than ten years at the City of Melbourne, Gary Lee is someone who lives and breathes the values of a Local Hero. Employee, community leader and passionate volunteer, he has led award-winning, high impact projects that aim to welcome, support and empower international students. He plays a key role on the frontline and in leading initiatives in mental health, wellbeing and pathways to employment. Through his leadership, the approach to supporting international students has always been coordinated, effective and holistic. As a voice of community and a passionate volunteer, his most impactful contribution is not just what he does, but how he inspires others to do the same.



Jo Campos

Jo Campos has been true champion for community safety in Cardinia Shire. Jo has recently organised a number of online safety information sessions for residents. These sessions were held in the evening to maximise the number of people that could attend, and focused on empowering residents with tips and information, from crime prevention to personal safety. Sitting on all of Cardinia Shire's safety committees and dedicating 100% to each and every one of them, Jo's passion for building safer communities is obvious and shines through at every meeting.



Robert Monohan

Robert Monohan is a proud Taungurung Aboriginal man, volunteering many hours of his own time to forming a working group to support the running of the new Aboriginal centre, the Wunggurrwil Dhunrrung Centre in Wyndham. Thanks to Rob's hard work and dedication, Wyndham now has an active kindergarten for Aboriginal children and a place where families can meet and unite in sharing their unique culture.



Rob has also played a key role in bringing together the three local Aboriginal tribes. As a working group, these proud Aboriginal people can share and educate other community members on the history of the land and its First Peoples, creating a richer community for all.

Stories like Rosalie's, Gary's, Jo's and Rob's not only put the efforts of the last two years into context, but also prove why the work of Local Heroes like them are so important at every level of our communities.

Recognising these contributions, celebrating the workers who make them, and ensuring that the example they set is acknowledged for the difference it makes is what the Vision Super Local Heroes awards are all about.

At Vision Super, working hard and going above and beyond for our members is what we're all about, and we think it's time to acknowledge and say thanks for the work you do and the difference you make.

So, whether you're in community care, maintenance and waste management, childcare, or running a library; if you're working in Local Government and giving your all – you're a Local Hero too.

If you'd like to learn more about the Vision Super Local Heroes Awards, head to <https://www.visionsuper.com.au/local-heroes/>



Back to basics

Difference between concessional and non-concessional contributions

So, what's the difference between concessional and non-concessional contributions to your super? Hi, my name's Michael Young, I'm the Member Advice Team Leader here at Vision Super. And this is one of the most common questions I get, so don't worry if you're having trouble working it out.

Basically, 'concessional' contributions means pre-tax. That is, they go into your super before your regular income tax is taken out of your pay. So you don't pay your normal rate of tax on the money that goes into your super – instead of paying the tax you normally would (say 32 or 37%), it's taxed at the lower, 'concessional' rate of 15%. High income incomers may have to pay extra tax.

Concessional contributions can be made in a number of ways. The most common is via the Superannuation Guarantee your employer is legally obligated to pay – currently 10%. The other common way is 'salary sacrifice' payments you make into your super – these are amounts you choose to pay in over and above what your employer has to pay.

Non-concessional contributions on the other hand are contributions coming from your after-tax pay, and because you have already paid tax on it, it goes into your super dollar-for-dollar.

It's important to remember there are limits on how much you can contribute to your super, and these are different for different people. The limits can be found on our website or the Australian Tax Offices'. How you calculate the limit is based on your personal situation. There are also a few other ways you can make concessional contributions, or maximise the amount your able to contribute concessional, but these can be a bit tricky for a short article like this! If you've got any questions, don't hesitate to get in contact or schedule an advice session – it's our job to make it easy for you!

What is a salary sacrifice contribution? And how can I make catch-up contributions?

Effectively, 'salary sacrificing' is just a straightforward way for you to contribute to your super and pay less tax. That's why it's often referred to as a 'concessional' contribution – you nominate a set amount of your pre-tax income to go into your super before your regular income tax is taken out. So instead of paying tax at the rate you normally would (say 32.5, 37 or even 45%), the contributions you make are taxed at the lower, 'concessional' rate of 15%. High income incomers may have to pay extra tax.

The amount you can contribute this way isn't unlimited though – currently the limit is \$27,500 in a financial year.

This can vary though depending on whether you've contributed this full amount in previous years and what your 1 July balance is – your cap may very well be higher! This is called the 'carry-forward' of unused concessional contributions.

There are a number of ways you can make use of carry-forward contributions, and it's one of things we help people with all the time. We can help you to help get the best out of the contributions you make to your super – just give us a call or schedule a session with my team, and we'll be happy to talk you through it.

“ **A straightforward way for you to contribute to your super and pay less tax** ”



So, what's a tax-free pension, and how does that work?

Now, there are a few parts to this story. First, it's important to understand that the earnings that your super makes when it's in an accumulation account – the super account you'll likely have had for most of your working life – are taxed inside the account at 15%. For most people this is better than the tax rate on their normal pay.

When you're 65 and you can access your super, you can start what's called an 'account based pension'. Account based pensions are not taxed – so earnings are taxed at 0%, rather than 15%.

The big difference this can make is in the impact that 15% tax rate can have over time. Take our Balanced Growth option for example. Inside an accumulation account, taxed at 15%, this option has on average returned 9.24% a year over the last ten years (as at 31 January 2022).

Inside a retirement pension account, with 0% tax, the same Balanced Growth option has an average return of 10.32% a year over the last ten years (as at 31 January 2022).

That's a little over 1% better each year. That might not sound like a lot, but if you had \$300,000 in your super, that 1% is an extra \$3,000 a year in your pocket... so over 10 years, you may be \$30,000 better off!

Another function of the pension account is that while it does pay out a tax-free income, you may not actually need the payments so you may be eligible to contribute that money back into growing your super.

Together, these functions can make a big difference to your super and your retirement.

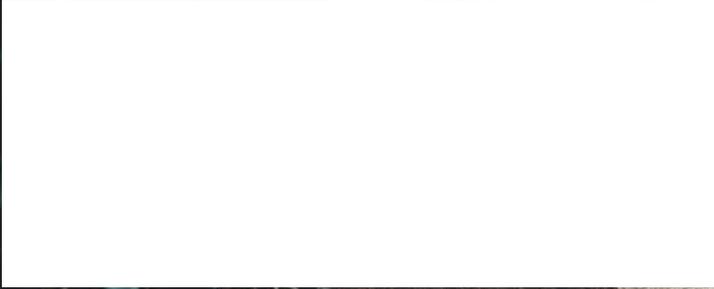
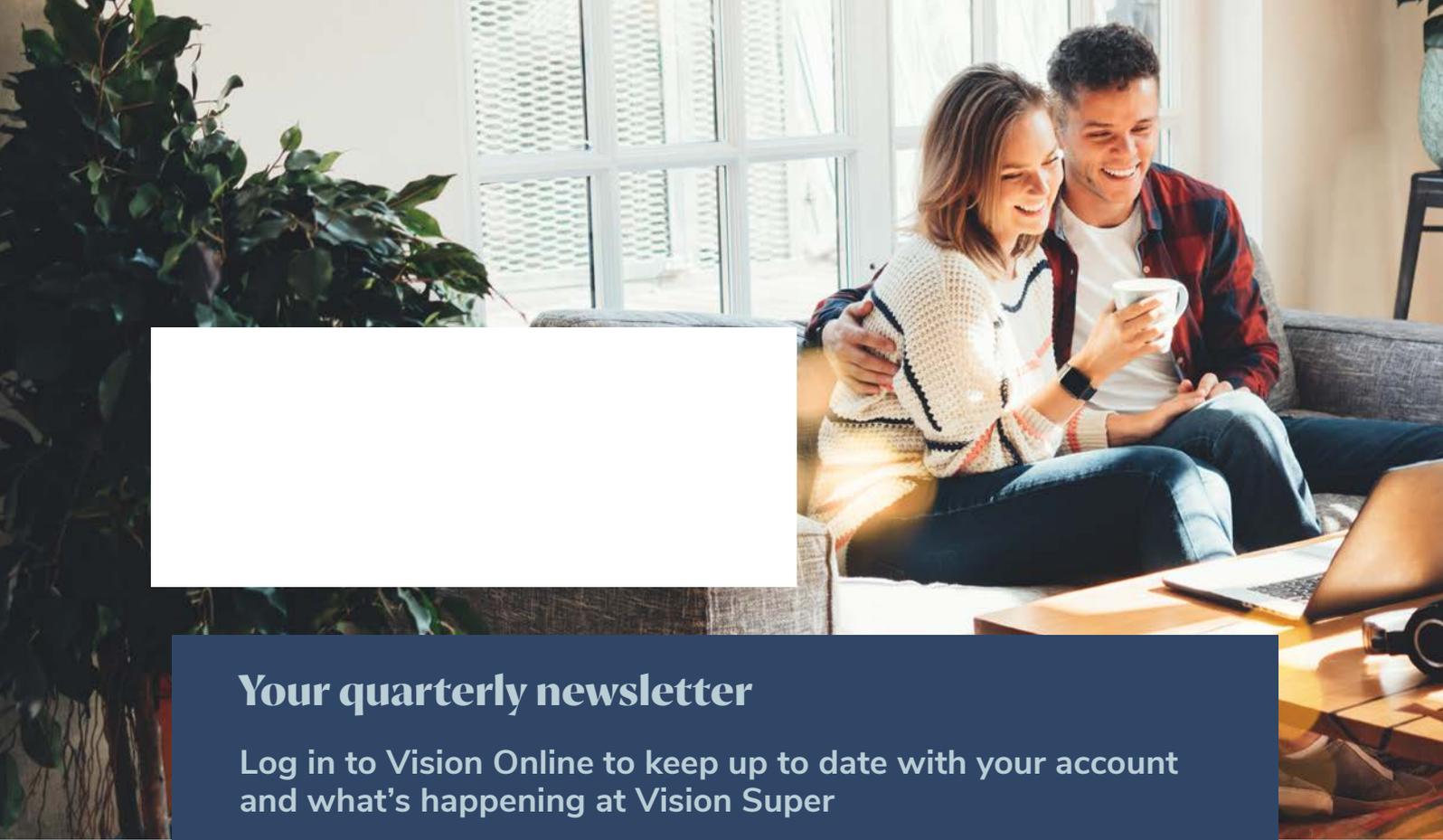
There are certainly a lot of opportunities for you to grow your super and better your retirement here. If you have any questions or want to discuss further, please don't hesitate to reach out and schedule a call or a meeting.

Advice in relation to your Vision Super account only is generally at no cost to you (excluding insurances) and full comprehensive advice taking into account your entire personal situation is charged at a one-off cost, which would be agreed upon between you and the planner.

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Michael Young
Member Advice Team Leader



Your quarterly newsletter

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



Family or friends changing jobs?

If someone you know is changing jobs, they can make the transition smooth by taking a Vision Super account with them. Scan the QR code to access the Choice of Fund form.



Retirement bonus

When you move your super account or TTR to an account based pension, you could be eligible to receive an additional credit to your balance – a retirement bonus. Scan the QR code to find out more.

