CHANGING GEAR

Your Pension News – February 2011

TransPension

Get your pension questions answered

Check out our new Q&A section for answers to common pension questions.

SUPER RATINGS

SUPERRATINGS PLATINUM PENSION 2011

INSIDE THIS ISSUE:

What to look for in a financial adviser

Financial advisers can provide beneficial advice relating to your personal investment needs and help you with financial strategies to make the most of your retirement years.

Issues like service, accessibility and understanding the full costs of financial advice (including any hidden costs like trailing commissions) are very important, but there are some other basic things to be aware of before you select an adviser.

By law, anyone who sells or advises on financial products must hold a licence from the Australian Securities and Investments Commission (ASIC). You will usually deal with employees or authorised representatives of a licence holder, which will be the company or organisation. There is a public register of licence holders (go to www.search.asic.gov.au to access the register online).

If you deal with an unlicensed adviser or broker, you may lose any protection offered under Australian law and may not be able to recover your money if you receive bad advice.

Licence holders must:

- deal with you efficiently, honestly and fairly
- meet certain professional standards
- comply with financial services laws that are enforced by ASIC
- subscribe to an independent complaints scheme that is free of charge.

All advisers must introduce themselves with a **financial services guide**. This outlines the services and extent of advice they are able to offer, their fees and their complaints handling process. You are entitled to request and receive a copy of their licence.

You are entitled to be given accurate information about the products and services offered. You must be given all the information you need to enable you to make your own decisions. The licence holder must disclose any commissions or incentives they receive that could influence their recommendations.

There are two types of advice you can be given:

1. general advice, or
2. personal advice. Personal advice takes into account your personal needs and circumstances. When you are given personal advice it will be provided to you in a **statement of advice**. This document must cover the basis of the advice given, that is, how your objectives, financial situation and needs have been considered.

You don't have to accept the recommendations. You should ask questions or seek another opinion if you are unsure.

MONEY SOLUTIONS

Looking for some reliable and affordable financial advice?

As a TransPension member you have access to straightforward, affordable financial advice over the phone or by appointment with Money Solutions (AFSL 258145). Money Solutions staff do not receive commissions, which means that they provide advice with your best interests in mind.

Your first single issue phone call with Money Solutions is free and fees for further advice can be taken from your pension account. Call us on 1800 222 071 for more information.

* The Trustee is not responsible for, and does not accept liability for the products or services or actions of Money Solutions (AFSL 258145). You should use your own judgement before taking up any product or services offered by Money Solutions.

COMPETITION WINNERS

We are pleased to announce the winners of our recent 'Stay in touch with your pension' competition:

1st prize – Beefmaster Premium 4 BBQ:

Paul Taylor VIC

5 x runner-up prizes – $100 Myer Gift Cards:

Feroz Khan NSW
Paul Ankers QLD
John Franke VIC
Peter Thomas VIC
Lynette Charlton WA

PRIZE WINNERS

In each issue, our **Q&A** section aims to simplify and explore some common retirement financial issues.

Q&A

Q: How much money do I need to live comfortably in retirement?

Answer:

Research shows that to have a comfortable standard of living in retirement, a single person will need $39,081 per year and a couple will need $53,456 per year.*

'Comfortable' is defined as being able to enjoy a broad range of leisure and recreational activities and to have a good standard of living through the purchase of household goods, a reasonable car, clothes, electronic equipment and occasional international travel. These estimations assume you are in good health and have paid off your home. You may require more or less than these amounts, depending on your health, your lifestyle aspirations and whether you have paid off your home and/or have any other financial obligations.

* The Westpac ASFA Retirement Standard – June quarter 2010

Q: How long will my retirement savings need to last?

Answer:

One of the important considerations in calculating the adequacy of your retirement savings is knowing how long you're going to live. Whilst many factors can come into play such as family medical history, whether you exercise regularly, and if you smoke or drink, average life expectancy data is provided by the Australian Government Actuary (AGA). Figures are updated every five years and reflect the trend that as health and medical standards improve, so does the chance that you will live longer.

The most encouraging trend is that as you age, your chances of living longer increase year by year. So the older you are, the longer you're expected to live. You may be pleased to know that the gap between male and female life expectancy is becoming narrower. Males born today can expect to live for 79.0 years, while female life expectancy is 83.7 – the smallest gap for over 50 years. While females generally outlive males, interestingly, if a man reaches the age of 99, his life expectancy is in fact longer than that of a female (101.86 for females, 101.90 for males).

The table below details a selection of average life expectancies (full life tables can be viewed on the AGA website: www.aga.gov.au/publications). It's important to consider that you may live longer than average. It is therefore a good idea to calculate the need for your retirement savings to last longer than your 'average' life expectancy.

Current Age	Female life expectancy	Male life expectancy
55	85.53	81.95
60	86.00	82.63
65	86.62	83.54
70	87.42	84.76
75	88.51	86.31
80	90.01	88.38
85	92.08	91.03
90	94.91	94.36

Source: Compiled from Australian Life Tables 2005-2007, Australian Government Actuary (www.aga.gov.au)

Of course, it's also a good idea to review your investment strategy in line with your life expectancy. Before changing your investment strategy, we recommend that you talk to a licensed financial adviser.

Q: Does anything happen to my Age Pension if I give away (gift) money or assets?

Answer:

There are specific gifting rules in place to discourage people from moving their assets to receive more pension payments or assistance.

You can gift money or assets at any time, but your Age Pension payments may be affected if you gift assets worth more than the allowable limit which is up to $10,000 in a single financial year and up to $30,000 over any five year period, whether you are single or a couple. Gifting rules also apply during the five years before you become eligible for a pension.

If you do gift above the allowable limits, the excess amount is counted as a financial asset and this could affect your Age Pension payments.

If you are thinking about giving away any of your assets, you should first speak to a Centrelink Financial Information Service Officer on 13 23 00.

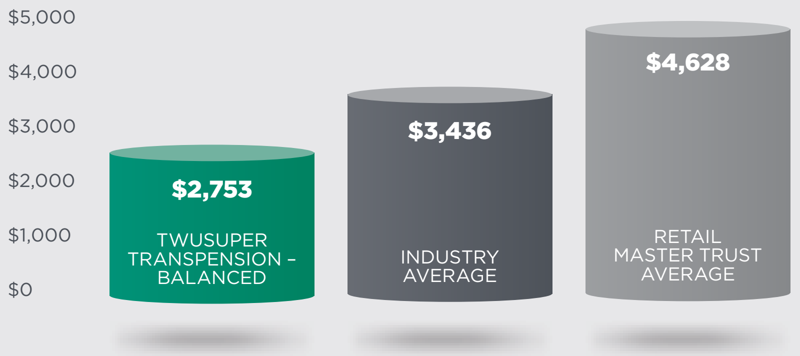
The benefits of being with TransPension

Research shows that you're better off with your money in an industry fund like TransPension.

Compared to retail pension funds offered by banks, investment and insurance companies, the fees for a TransPension account are generally lower. This means your hard earned money can last longer.

In fact, as you can see from the graph on the right, the average annual fees on a $250,000 pension account for a retail pension fund are $4,628, compared to $2,753 for a TransPension account. The average annual fees across all funds surveyed (87 not for profit funds and 72 retail pension funds) is $3,436.

Fees on a $250,000 Pension Account Balance



Assumptions: $250,000 pension account invested in the TransPension Balanced (default) option. It includes any (gross) administration fees, investment management fees, performance fees and member fees that are applicable. The sample set used for this analysis includes 72 retail master trust pension products and 87 not for profit fund pension products. Fees are as at 30 November 2010.
Source: SuperRatings Pty Ltd.*

TransPension awarded top rating

TransPension has low fees and charges, and is regarded as one of the best value for money pension products in Australia.

SUPER RATINGS

SUPERRATINGS PLATINUM PENSION 2011

In November 2010 TransPension was awarded a 2011 Platinum Pension Rating by Australia's leading superannuation ratings agency, SuperRatings. Platinum ratings are awarded to the best value for money funds and this rating puts us in the top performing Australian pension funds.

SuperRatings define best value for money as 'those funds that offer the greater potential to maximise the retirement savings of its members in a well serviced secure environment while offering suitable well priced related ancillary benefits'. Platinum rated funds are considered by SuperRatings as 'well balanced across all key assessment criteria – investment returns, investment methodology, fees, administration and advisory services in a robust, secure and proven governance/risk framework. Provides features that should assist most individuals to meet their retirement goals'.

Government Age Pension increase

From 20 September 2010 the Government Age Pension has increased. Total pension payments (including the pension supplement)† for those eligible for the maximum rate are:

$716.10 per fortnight for singles

$1079.60 per fortnight for couples combined

For more information, visit www.centrelink.gov.au or call 13 23 00.

† The pension supplement is currently $57.70 per fortnight for singles and $87.00 per fortnight for couples (combined).

* SuperRatings Pty Limited holds Australian Financial Services Licence No. 311880. The information used in compiling this report comes from sources considered reliable. It is not guaranteed to be accurate or complete. The report has been prepared for the purpose of providing general advice only and has not considered the recipient's objectives, financial situation or needs. The recipient should consider obtaining independent advice before making any decision about a financial product referred to in this report and should obtain and consider a copy of the relevant Product Disclosure Statement from the product issuer. ©SuperRatings Pty Ltd.

Investment update

Andrew Killen
Chief Investment Officer

After a very disappointing end to the last financial year in which global equity markets plummeted more than 10% in the last three months, the start of the 2010/11 financial year has seen a strong, though uneven, recovery in equity markets.

On the road to recovery

Even though the Australian economy continues to be the envy of other developed countries, with strong employment growth and a booming resources sector driven by demand from China and India, the domestic equity market has not kept pace with its global peers over the last year.

While the Australian share market has returned an impressive 13% financial year to date (to the middle of December), investors have enjoyed better returns in international markets in their local currencies.

In the US, shares are more than 19% higher, the UK in excess of 17% higher and global markets as a whole have risen close to 18% this financial year. However, the returns in Australian dollar terms are significantly less because of the strength of the $A against the major currencies.

The factors which were the catalyst for the late sell-off in investment markets last financial year have again driven market volatility this year. The main concerns still relate to the possibility of sovereign default in peripheral European countries and the pace of economic growth in the US (too slow) and China (too fast).

Ireland recently accepted an 85 billion Euro rescue package from the European Union (EU) & the International Monetary Fund (IMF), and there are fears other European countries will require similar assistance.

The US government and the US Federal Reserve Bank are doing everything in their power to kick-start the US economy. The Federal Reserve recently confirmed market expectations of a second round of quantitative easing (QE2) of up to $US900 billion and indicated that further QE programs could be implemented should low levels of economic growth and high unemployment persist. In addition, President Obama announced a proposal to extend tax-cuts and introduce a range of new fiscal programs designed to boost growth in 2011.

Equities up, bonds down

Although these measures have been a positive for equity markets which focused on the potential boost to economic growth, the effect on the bond market was the exact opposite. Bond yields rose aggressively as the bond market worried about the negative impact of these moves on the ballooning US budget deficit.

While equity markets have generated double digit returns this financial year, bond markets have struggled to produce positive returns. The Australian bond market is up less than 1% and the global market has fared only slightly better.

Looking forward, the one thing investors can be confident about is the likelihood of continued volatility in investment markets in the face of short and medium term dangers to the global economy.

The US faces ongoing risks from excessively low inflation and stubbornly high unemployment, while European sovereign debt problems remain in the spotlight, with the possibility of Spain and Portugal being the next countries to seek EU/IMF bailouts.

However, on the positive side, investment market strategists point to generally attractive valuations for equity markets when compared with valuations over the past two decades. Despite the medium term risks, the strong cash flow generation of companies should look increasingly appealing to investors when compared to the returns available from cash and bonds.

Managing your account the easy way

TransPension's secure member website allows you to access your personal pension information and check your account balance any time.

MemberAccess has recently been upgraded to allow Account Based Pension members to make partial lump sum withdrawals online. Simply go to 'My account' and select 'Withdrawal'.

Enter the amount you wish to withdraw and press 'submit'. The payment will automatically be made to the same account as your current pension payments are paid. A confirmation email will be sent to you if we have your email address.

MemberAccess is easy to use!

To log in or register all you need is your member number. Go to **www.transpension.com.au** and select *MemberAccess* login on the right of the page.

MemberAccess allows you to:

- view your account balance and increase payments
- check or update your personal details
- ensure that your nominated beneficiaries are up to date
- view your statements online if you have registered
- make partial lump sum withdrawals if you have an Account Based Pension.

If you would like to access your pension statements via *MemberAccess*, please call us on 1800 222 071.

Get help from people who understand your industry

Our Client Relations Officers can help you make sense of your pension by answering your questions or helping you to complete forms or paperwork.

Our team covers most of Australia. However if a team member can't get to you in person, they'll be able to talk to you over the phone. Call your local Client Relations Officer today to arrange a visit or a phone consultation.

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