

How Super Works

1 July 2011

The information in this document forms part of the HESTA Product Disclosure Statement issued 1 July 2011



Easy ways to help your super grow

Building up your super now can make a big difference to your final balance. Read on to discover some easy ways to boost your savings and help your HESTA super account grow.

Your employer's compulsory contributions

These lay the foundation for your super savings. Employers must contribute money to an account set up for an employee's retirement. The minimum required under the Superannuation Guarantee (SG) is currently 9% of your ordinary time earnings. The super contribution may be more depending on your award or workplace agreement.

Your employer is required to pay this amount into your super account at least quarterly. It does not come out of your salary.

Most people can choose which super fund they'd like their super contributions paid into. If you want to choose your super fund, give your employer a completed *Choice of super fund request form*, found in HESTA's Product Disclosure Statement (PDS) (see hesta.com.au/pds).

You can check how much your employer contributes on your *Annual statement* and *Record of contributions* from HESTA, or login to *Member Online* at hesta.com.au/mol


After-tax contributions

It's easy to make contributions to your HESTA super account from any after-tax income or savings you have. You can make after-tax contributions with:

- regular direct debit payments from your bank account
- payroll deductions from your after-tax pay (check with your employer)
- one-off contributions using HESTA deposit slips (found at hesta.com.au/deposits) or **iPAY** (visit *Member Online* for the biller code and your reference number)

Each year you can contribute up to \$150,000 of after-tax earnings to your super. If you're under 65, you can roll forward three years of contributions into one year, to allow a maximum of \$450,000. These contributions do not attract tax on payment into your super fund, however, contributions made over these limits will be taxed at 46.5%.

Remember: you must have supplied your tax file number (TFN) to enable us to accept your after-tax contributions.

 To see how making after-tax contributions could work for you, try our Superannuation Calculator at hesta.com.au/calculator

You can supply your TFN to HESTA on HESTA's *New member application form*, found in the PDS or free call 1800 813 327 if you're already a member.

A gift from the Government

There's a great way to top up your super and invest in your future. It's the Government's super co-contribution scheme, designed to help Australians boost their retirement savings.

For every (after-tax) dollar that eligible members make to super, an extra dollar is received. That's right, contributions are matched up to a maximum of \$1,000!

The maximum co-contribution is available for individuals with a total income up to \$31,920. The maximum co-contribution reduces by 3.3 cents for each dollar of total income over \$31,920 and cuts out at \$61,920.

Total income includes assessable income plus reportable fringe benefits and salary sacrifice to super.

For more information, visit hesta.com.au/cocontributions

 You can also use the Salary Sacrifice/Co-contributions Calculator at hesta.com.au/calculator


Salary sacrifice

You and your employer may agree to increase before-tax super contributions to your account, reducing your salary by a nominated amount. This can reduce your taxable income and increase your super balance. If you work under an industrial award or agreement, make sure your salary sacrifice meets its requirements.

You can receive up to \$25,000 (or \$50,000 if you're 50 or over) of before-tax contributions each year (this includes the super contributions your employer makes on your behalf).

If you have provided your tax file number (TFN) to HESTA, these before-tax contributions will be taxed at the concessional rate of 15%. If you haven't provided your TFN, before-tax contributions will be taxed at the highest marginal rate.

It is important to keep track of your super contributions, as contributions over these limits will be taxed at 46.5%.

 To see the difference that salary sacrifice contributions could make, try our Salary Sacrifice/Co-contributions Calculator at hesta.com.au/calculator

You should consider seeking financial advice about whether salary sacrifice is right for you. Also check that your employer will continue to calculate their SG contribution and your other entitlements on your pre-sacrifice salary.

On top of saving more super, with salary sacrifice you may also be able to save on personal tax. Go to hesta.com.au/pds and see *How Super is Taxed* for more information.

Personal tax-deductible contributions

You may be able to claim a tax deduction on personal contributions made to your HESTA super account, if less than 10% of your total income is from working as an employee. For example, this may be the case if you are substantially self-employed.

Eligible members intending to claim a tax deduction for their personal contributions must lodge an ATO *Notice of intent to claim or vary a deduction for personal super contributions form (NAT 71121)* with HESTA. They must receive our acknowledgement by the date they lodge their tax return, the end of the financial year after the contribution was made, or when they withdraw their super from HESTA (whichever date is earlier).

For more information and to download the form, visit ato.gov.au/super

Combining multiple super accounts

Combining all your super into one account (called a rollover) can mean more money goes towards your savings — not into extra fees!

If you're one of the many Australians who change jobs every five to six years, you could end up with several super accounts. Each one could cost you a lot of money in administration fees over time.

By rolling over your super accounts into your HESTA super account, you may avoid paying duplicate sets of administration fees.

Rolling your other super into your HESTA super account is easy. Use the *Rollover your super into HESTA form* (find it in the PDS or download a copy at hesta.com.au/transfer) to roll your other super into HESTA. As soon as we receive your form, we'll contact your previous fund to get the ball rolling.

There are no fees to roll other super into your HESTA super account. Some other super funds charge entry and exit fees, so you should think about whether rolling over is right for you.

Check the total fees payable and any benefits you may lose by rolling over, including any earnings differences between the two funds and insurance held through your previous fund.

Remember you may receive low-cost insurance through HESTA when you join. Go to hesta.com.au/pds and read *Insurance Options* for more information.

Any claim for a tax deduction on personal contributions to your former fund, or splitting of your contributions to your spouse's super, can only be made before you close that account.

Contribution splitting

Splitting your super with your spouse means you can both have super to draw on when you retire. It allows non-working or low-income spouses to build up their own super.

The maximum splittable amount for any financial year is the lesser of 85% of concessional contributions for that financial year and/or the concessional contributions cap for that financial year.

You cannot split non-concessional and government co-contributions made to a super fund. You also cannot split contributions if you have withdrawn your super from HESTA.

HESTA must receive your completed *Application to split superannuation contributions form* (free call 1800 813 327) by 18 June in the year after the contributions were made. For example, an application to split contributions made in the 2010-2011 financial year must be received by 18 June 2012.

For more information, visit hesta.com.au or ato.gov.au

Spouse contributions

Making contributions into a super account on your spouse's behalf can help you share more in retirement.

A tax offset is available for people who make super contributions on behalf of a low-income or non-working spouse (including a de facto spouse of the same or different sex). The maximum offset is 18% of the first \$3,000 of contributions per year, which means the maximum offset available is \$540. A member's spouse must have a total income of less than \$10,800 per year for the member to qualify for the maximum offset. The offset limit reduces by \$1 for every \$1 of total income over \$10,800 and cuts out at \$13,800.

For more information, visit hesta.com.au/spousecontribution

Other contributions

Other types of payments that can be contributed to your HESTA super account include:

- some Employment Termination Payments
- some proceeds from the disposal of qualifying small business assets
- proceeds of some compensation payments for a permanently disabling personal injury.

The rules applicable to these contributions are complex. If you are considering making these types of contributions, we recommend you seek expert advice.

What contributions can your HESTA super account accept?

	Under 65	65–69	70–74	75+
Super Guarantee (employer)	✓	✓	N/A	N/A
Award employer**	✓	✓	✓	✓
Employer optional***	✓	✓*	✓*	✗
Salary sacrifice	✓	✓*	✓*	✗
Personal after-tax	✓^	✓*^	✓*^	✗
Personal tax-deductible	✓+	✓*+	✓*+	✗
Spouse contribution	✓^	✓*^	✗	✗
Split contribution	✓#	✗	✗	✗
Rollover	✓	✓	✓	✓

^ If your TFN has not been provided to HESTA, or if the contribution exceeds \$450,000 (prior to age 65) or \$150,000 (if you are aged 65+), we cannot accept the contribution.

+ If your TFN has not been provided to HESTA, or if the contribution exceeds \$450,000 (prior to age 65) or \$150,000 (if you are aged 65+), we can only accept the contribution if we receive the ATO's *Notice of intent to claim form* (NAT 71121) within 30 days.

The recipient of the contribution must not be permanently retired.

* The recipient of the contribution must have worked at least 40 hours in not more than 30 consecutive days in the financial year the contribution is made.

** Award employer contributions are those mandated under an award, EBA or workplace agreement.

*** Employer optional contributions are where the employer contributes additional amounts not required for the Super Guarantee, Award or salary sacrifices requirements.

Where can I find other information?

If you'd like more information about super, visit hesta.com.au/pds and read the following:

- Risks of Super
- Investment Choices
- Fees and Costs
- How Super is Taxed
- Insurance Options
- How to Make a Complaint.

When can you access your super?

Your super is designed to help support you financially when you retire, so the Government has placed restrictions on when you can access your benefit. These are called 'preservation rules' and mean your benefit may consist of preserved and non-preserved amounts.

Preserved amounts

By law all contributions to members' accounts and investment earnings accruing after 1 July 1999 are preserved until you meet a condition of release.

Conditions of release

All or part of your preserved amount may generally only be paid out if you meet at least one of these conditions:

- you permanently retire or commence a transition to retirement income stream on or after your preservation age

Your date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
After 30 June 1964	60

- you reach age 60, your employment arrangement has ended and you meet certain conditions
- you reach age 65
- you become permanently incapacitated
- you have a terminal medical condition
- you die
- you meet government criteria and receive government approval for the release of some of your super on compassionate grounds or due to severe financial hardship
- you change jobs and your account balance is \$200 or less, or you are a 'lost member' who is found and you have less than \$200 in your account on its release
- it's necessary to enable a payment under a release authority in accordance with the *Income Tax Assessment Act 1997*.

If you are a temporary resident your preserved amount may generally be paid out if you meet at least one of these conditions:

- you die
- you become permanently disabled
- you have a terminal medical condition
- you permanently depart Australia
- it's necessary to enable a payment under a release authority in accordance with the *Income Tax Assessment Act 1997*.

Non-preserved amounts

Restricted non-preserved amounts may generally only be paid out if:

- you meet one of the conditions of release for preserved amounts, or
- you are no longer employed by a contributing employer.

Unrestricted non-preserved amounts may generally be paid out at any time.

What can I do at preservation age?

When you reach preservation age you can transfer your super benefit to a HESTA Super Income Stream under the transition to retirement rules, even if you're not permanently retired.

Paid to provide a regular income (instead of a lump sum), income streams enable people who are semi-retired to work part-time while using some of their super to supplement their income.

Alternatively, you can leave your super in your current HESTA super account (however, your balance must be paid out in the event of your death).

Partial benefits

If you make a partial withdrawal of non-preserved benefits, or transfer preserved benefits to another fund, you must keep at least \$5,000 (estimated at interim interest rates) in your account for it to remain active.

Your actual remaining balance will be adjusted when final interest rates are declared for the period. Go to hesta.com.au/pds and read *Investment Choices* for details.

Accessing your super

You (including your beneficiaries or agents) must provide certified copies of identification documents when receiving certain services, such as the payment of super benefits or income streams.

Temporary residents

HESTA is required to transfer to the Australian Taxation Office (ATO) any super held for a temporary resident who has left Australia for more than six months and whose visa has expired or been cancelled. This may affect your super if you are not an Australian citizen, a New Zealand citizen or a permanent resident.

In accordance with relief provided by Australian Securities and Investments Commission (ASIC), HESTA will not provide an exit statement. However, you can contact HESTA to receive information about the transfer that will enable you to apply to the ATO to claim your benefit. For more information about unclaimed benefits, contact the ATO on 13 10 20.

What happens to your super if...

You retire

Your super (less any taxes or other costs that may apply) may be paid as a lump sum or income stream when you reach your preservation age. No lump-sum tax applies when transferring your super into a HESTA Super Income Stream.

You die before you retire

HESTA has a legal responsibility to make sure your super goes to your dependants or your legal personal representative.

Your dependants include:

- your spouse (which includes another person, whether of the same sex or a different sex, with whom you are in a relationship that is registered under a law of a state or territory, or a person who, although not legally married to you, lives with you on a genuine domestic basis in a relationship as a couple)
- your child (which includes an adopted child, a step-child, an ex-nuptial child, a child of your spouse or someone who is your child within the meaning of the *Family Law Act 1975*)
- a person who is wholly or partially financially dependent on you
- a person with whom you have an interdependency relationship.

An interdependency relationship is defined as:

- a close personal relationship between two people who live together, where one or each provides the other with financial support, and one or each provides the other with domestic support and personal care, or
- a close personal relationship that does not satisfy the other criteria because one or both people suffer from a physical, intellectual or psychiatric disability.

Government regulations require that the Trustee takes into account the following criteria when assessing interdependency:

- a) all of the circumstances of the relationship between the persons, including (where relevant):
 - i) the duration of the relationship
 - ii) whether or not a sexual relationship exists
 - iii) the ownership, use and acquisition of property
 - iv) the degree of mutual commitment to a shared life
 - v) the care and support of children
 - vi) the reputation and public aspects of the relationship
 - vii) the degree of emotional support

- viii) the extent to which the relationship is one of mere convenience
 - ix) any evidence suggesting that the parties intend the relationship to be permanent
- b) the existence of a statutory declaration signed by one of the persons to the effect that the person is, or (in the case of a statutory declaration made after the end of the relationship) was, in an interdependency relationship with the other person.

Your legal personal representatives include:

- the executor or executrix of your will, or
- the administrator of your estate.

Your dependants or your legal personal representative can be paid all the money in your account plus any death benefit paid by HESTA's insurer, less any taxes or other costs that may apply.

You can advise HESTA of your preferred beneficiaries (the people you would prefer to receive your death benefits) on your *New member application form*. You can update these in future using the *Change of member details form* or through *Member Online*. HESTA has the final decision on who receives your benefits, but will consider your preferred beneficiaries.

It's a good idea to keep information about your preferred beneficiaries up to date, and to make a will as a guide for the distribution of your estate. This is important even if you have no dependants.

For more information visit hesta.com.au or free call 1800 813 327.

You become disabled

If you have insurance through HESTA, you may be eligible to receive a regular income or lump-sum disability insurance benefit. Your account balance may be paid if your incapacity is permanent or you have a terminal medical condition. Go to hesta.com.au/pds and read *Insurance Options* for details.

You want to stay with HESTA when you retire

HESTA can continue to look after your super when you retire with the following flexible options.

- 1 Leave your money in your current HESTA super account, which gives you ongoing access to low fees, insurance cover and investment options and access to your money when you need it (subject to conditions).
- 2 Transfer your super to the HESTA Super Income Stream. This provides a regular income stream from your super with the added bonus of tax-free investment earnings.

Contact HESTA

Phone 1800 813 327
Fax 1300 368 636
Mail PO Box 600, Carlton South, VIC 3053
Email hesta@hesta.com.au
Web hesta.com.au



The information in this document forms part of the HESTA Product Disclosure Statement (PDS) issued 1 July 2011. To access the other parts of the PDS visit hesta.com.au/pds or call 1800 813 327. This document does not relate to the HESTA Super Income Stream. Refer to the HESTA Super Income Stream PDS for information about that product. The PDS should be considered before making a decision about HESTA. The information in this document is of a general nature. It does not take into account your objectives, financial situation or specific needs. You should look at your own financial position and requirements before making a decision. You may wish to consult an adviser when doing this. Issued by H.E.S.T. Australia Limited (HESTA) ABN 66 006 818 695 AFSL No. 235249, Trustee of Health Employees Superannuation Trust Australia (HESTA Super Fund) ABN 64 971 749 321.