

HESTA Income Stream

Member Magazine

August 2015



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Robert Fowler

HESTA Chief
Investment Officer

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Welcome

from the CEO

It is a great honour to have been appointed CEO of HESTA and to bring you my first edition of your *HESTA Income Stream Member Magazine*.

I stepped into the CEO position in March, following more than six years at HESTA — initially as head of member advice, before becoming Deputy CEO in 2012.

Prior to joining HESTA's team, I spent many years in super and financial planning, working extensively as an employee-benefit consultant, with a specific focus on super.

I feel very fortunate to now lead an organisation with a compelling and enduring vision — to help you enjoy the retirement you want.

Our commitment

Your career in health and community services has been dedicated to making a difference in other people's lives.

So it's our turn — and our privilege — to make a difference to your super and help you retire well.

Strong returns during 2014/15

The 2014/15 financial year saw another year of strong performance, with our diversified investment options comfortably outperforming their investment objectives over one, three and five-year time periods.

In our Ready-Made Default Strategy, the Balanced option achieved an 8.84% return and the Defensive option returned 4.91% in 2014/15.

On page 12, Robert Fowler, HESTA's Chief Investment Officer, answers some commonly asked questions and discusses his medium-term investment expectations.

Changes to legislation

The Government recently outlined some changes to super and Age Pension legislation. Read about how these changes may affect you on page 10.

Rest assured, we will continue our long history of innovation and advocacy to deliver the best possible retirement outcomes for our members.

And, I look forward to meeting members across the country over the coming months and years.

Debby Blakey, CEO

“Debby demonstrates a passion for ensuring HESTA members have every opportunity to achieve the retirement they want.”



Angela Emslie, Board Chair

What's making news?



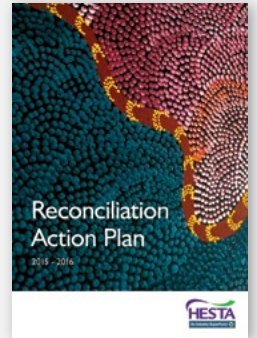
HESTA Director named 2015 Trustee of the Year

The Australian Institute of Superannuation Trustees has recognised Maree O'Halloran AM, for her significant contribution to super and passion for creating better retirement outcomes for all Australians.

Maree completed a five-year term of service on HESTA's Board on 30 June 2015.

HESTA is the first industry fund to develop a Reconciliation Action Plan

HESTA's Reconciliation Action Plan (RAP) — endorsed by Reconciliation Australia — sets out the steps we will take to demonstrate our strong commitment to reconciliation with Aboriginal and Torres Strait Islander peoples and organisations.



HESTA Executive — People and Strategy, Sophie Sigalas, launched HESTA's RAP during the Cairns Indigenous Art Fair on 31 July 2015.

“HESTA has a unique role to play as a national organisation, a leader in the provision of super and as a fund dedicated to the health and community services sector,” Sophie said.

“We seek to pursue excellence in everything we do, including our ability to increase equity between Aboriginal and Torres Strait Islander peoples and non-Indigenous Australians.”

Read more about our commitment:

hesta.com.au/RAP >

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Got a question?



Common member questions, answered...

Our contact centre team has identified some of the questions you most often need our help with.

Armed with these tips, it should be easier for you to get the information you want, when you need it.

Q1. Can I choose who I leave my money to?

Legally, we must pay any remaining balance in your account to your HESTA Income Stream dependant(s) and/or legal personal representative when you die. For greater certainty about what takes place, it's important to nominate your beneficiaries so we're aware of your wishes.

You can update preferred (non-binding) and binding beneficiary nominations at any time.

To make sure you know the ins and outs of each option, read the *HESTA Income Stream Product Disclosure Statement (PDS)* at hesta.com.au/ispds

You can check your existing nominations and change a preferred beneficiary nomination by logging into your account at hesta.com.au/isonline

To make or amend a binding nomination, you'll need to complete a HESTA Income Stream *Binding death benefit nomination* form which you'll find at hesta.com.au/forms

Q2. Can I change my investments?

Yes, you can choose from 10 investment options. You'll find more information about each option in the *HESTA Income Stream PDS* at hesta.com.au/ispds

You can review and change your investment options online at hesta.com.au/isonline

We recommend speaking to an adviser before switching investment options.

Q3. Could my money run out?

How long your money lasts will, of course, depend on a number of factors, including:

- how much you have invested in your account
- how much you withdraw as income
- how much you withdraw as lump sums, and
- the performance of your investment over time.

If you'd like to speak to an expert about your HESTA Income Stream strategy, a HESTA adviser can help you make the correct decisions for your situation.

Q4. Am I affected by Centrelink's new deeming rules?

On 1 January 2015, new deeming rules came into effect for new income stream accounts, making the income from new accounts a 'deemed asset'.

In many cases, this means a larger amount of income is now included in Centrelink's income test, potentially impacting your Age Pension entitlements.

Importantly, if you started your HESTA Income Stream before 1 January 2015 and were receiving Centrelink income support, your income stream won't be subject to the new deeming rules — unless you move your balance to a new income stream or your Centrelink income support payments cease.

Consider speaking to an adviser if you're thinking about:

- opening a new income stream account, or
- rolling your existing account into a new account to add additional savings.

Q5. Can I change my payment frequency and/or amount?

Yes, you have a range of options.

Payment frequency

You can choose to have your payments made fortnightly, monthly, quarterly, half-yearly or yearly.

Payment amount

The amount you choose to receive as an income is up to you. However, the Government has set a minimum amount that must be paid to you each year.

The minimum is a percentage of your account balance at the beginning of each financial year and the percentage is linked to your age at the beginning of the financial year.

If you're still working and have a transition to retirement account, you can withdraw up to a maximum of 10% of your account balance as income payments each financial year.

You can update your arrangements online or in writing by completing the *Change of income payment amount and frequency form* available at hesta.com.au/forms

Q6. Can I have more than one HESTA Income Stream account?

Yes, but any new accounts opened after 1 January 2015 are subject to the new Centrelink deeming rules described in Q4. This means any new income stream accounts will be considered a deemed asset for Centrelink's income test.

If you're thinking about opening a new income stream account — or rolling your existing account into a new account to add additional savings — consider speaking to an adviser.

Need help?

You can request an appointment with a HESTA adviser at:

hesta.com.au/advice





Director of Care & Infection Control Coordinator

Glenelg Community Hospital, South Australia

The aspect I enjoy most about my work is...

the challenge and responsibility of my position — leading a team of wonderful, caring people whose common goal is to help others.

I've been a HESTA member...

since 1989.

What I like most about being a HESTA member is....

that I can get personal, expert advice from a fund that understands the industry I work in.

To me, super is...

peace of mind and absolutely necessary. I wish it was around when I started work in 1970!

The one thing I'd like to tell other members about HESTA is...

their professional advisers give you confidence that they will provide the best advice for your own personal circumstances.

When I retire, I'd like to...

feel confident that my super is going to comfortably carry me through.

Three words that describe me are...

thoughtful, compassionate and professional.

The best piece of advice I've been given is...

always end a conversation on a positive note.

My last meal would be...

sweet and full of calories!

If I could have a superpower it would be...

the power to heal — minds, hearts and bodies!

If I could sit next to anyone at a dinner party it would be...

Sean Connery! Need I say more?



Spotlight on...

Mary Delahunty

HESTA General Manager, Business Development and 2015 Churchill Fellowship recipient



Mary's commitment to ensuring HESTA members retire well has seen her rewarded with a 2015 Churchill Fellowship. This prestigious Fellowship provides successful applicants with the opportunity to conduct valuable overseas research in their field.

Mary will use her Fellowship to study gender equity reform in overseas retirement systems to identify opportunities to affect change in Australia.

Q. Where do you see the major policy challenges in closing the gender gap in Australia?

A. The gender pay gap and super gap are intrinsically linked — the disparity in income throughout a woman's working life has a cumulative effect on her retirement savings.

But, there are also a number of other factors contributing to the gender gap in super.

"We have a sophisticated retirement system but it's based on the premise that all Australians enjoy uninterrupted working lives. For many women, this simply isn't the case."

Women — including many of our members — often take unpaid career breaks to care for loved ones. This can have a significant impact on their finances in retirement.

So, even if the gender pay gap is resolved, the structure of our existing retirement system still doesn't cater for the typical life stages of a woman.

Q. What's HESTA's role in gender equality reform?

A. A big part of our role in helping our members — more than 80% of whom are women — achieve the retirement they deserve, is advocating for policy changes that make super more equitable for them.

Q. What do you hope to achieve from your Churchill Fellowship?

A. This opportunity will allow me to meet with those involved in achieving greater equity in overseas retirement systems.

I hope to gain insights into how these strategies could be adopted in Australia.

I'll use my findings to direct a campaign to improve outcomes for retired women in Australia.

Learn more about our team:

hesta.com.au/whorunsHESTA

Living well at low cost

Mobile apps have changed the way we live. Whether you're searching for that perfect lunch, banking on the run or getting fit, there's an app to help you achieve your goals.

Here are some great apps to help you live well in retirement.



MyFitnessPal

Keeping track of your calories can be an effective way to manage your weight.

Whether you're looking to slim down for summer, or just want to keep track of the nutritional value of what you're eating,

MyFitnessPal is an easy way to do it.

Available free for iPhone, Android and Windows.



Allthecooks

Love showing off your cooking skills?

Well, this could be the perfect app for you!

Allthecooks brings social networking and cooking together — letting you share and swap recipes with people all over the world.

Available free for iPhone, Android and Windows.



Lumosity

Lumosity unites fun and learning with its range of challenging games designed to improve memory, problem solving and attention.

Developed by neuroscientists, Lumosity is a great way to improve your cognitive skills — and you might even have fun doing it!

Available for iPhone and Android.



TrackMySpend

This award-winning app brings MoneySmart's savings and expense-tracking tools to the palm of your hand.

Keep track of your household budget, review your expense history, identify opportunities to save and more.

Available free for iPhone and Android.



iBooks

iBooks is a free eReader that lets you download and enjoy your favourite books on your iPhone and iPad.

You can browse your library to find your favourite reads, flip pages with a simple swipe, bookmark pages and add notes.

Available free for iPhone and iPad.



Skype

If you've got access to WiFi internet, Skype can be a great way to save on expensive overseas mobile rates when travelling or stay in touch with your loved ones living abroad. Available free for iPhone, Blackberry, Windows and Android. Call and text costs may apply.



Viber

Similar to Skype, Viber allows you to make free phone calls and send free text messages to all other Viber users.

It's available over WiFi or 3G.

Once you and your friends and family install Viber, you can use it to talk and message as much as you want.

Available free for iPhone and Android.



Find My iPhone

If you've ever misplaced your iPhone, you'll be familiar with the sense of dread it invokes.

Find My iPhone lets you keep track, with maps to help you locate your missing or misplaced device and the ability to play a sound even when your phone is on silent. Great for those occasions where your iPhone has just slipped down the side of the couch!

And, you can even remotely lock it or erase all the data on it if it's lost or stolen.

It's available free for iPhone and iPad.

Find My Android is a similar app for Android devices.

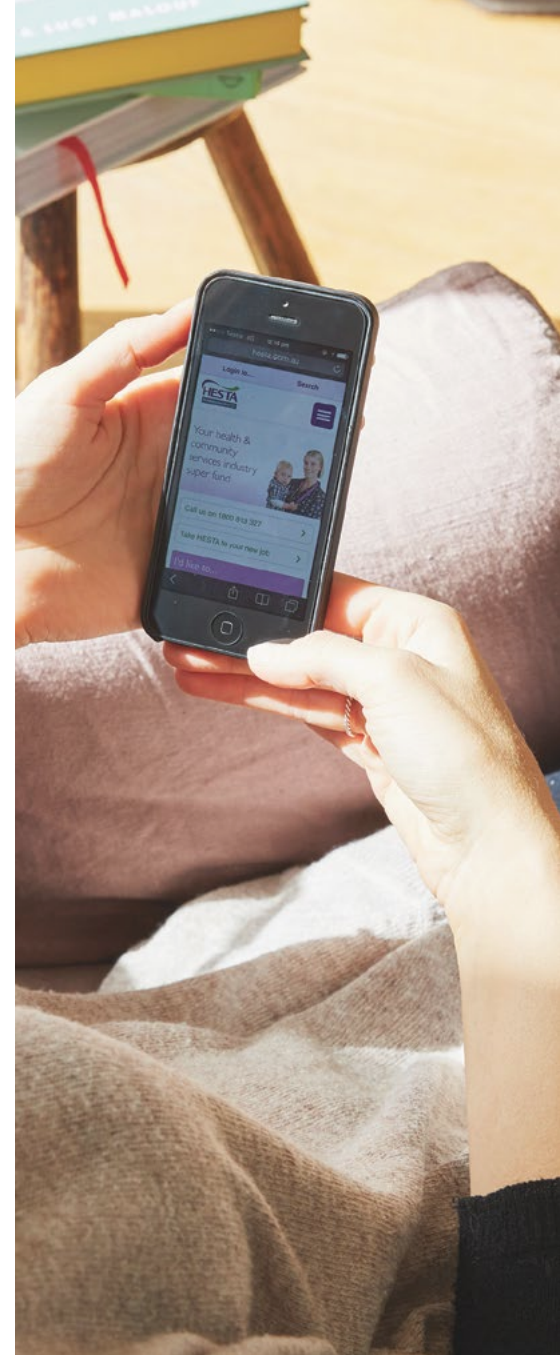


HESTA Income Stream digital member card

Okay, this one isn't actually an app, but it is a great way to keep your member details handy.

If you're ready to kiss paper goodbye, downloading your digital member card and signing up for HESTA Income Stream Online are two great ways to declutter your benchtop!

It's available at no extra cost to HESTA Income Stream members, for iPhone and Android.



Download your digital member card

hesta.com.au/iscard





LEGISLATION CHANGES

What do they mean for you?

The Federal Government confirmed some new and previously announced changes to super, income streams and the Age Pension when it handed down the 2015/16 Budget.

Following are a number of changes that may affect you. It's important to remember, some are proposals only and are subject to the passage of legislation.

Age Pension asset test changes

From 1 January 2017, the Government will change the thresholds and the taper rates for the Age Pension asset test.

The Government will increase the asset free threshold, which is the maximum assets a person can hold — in addition to the family home — in order to qualify for a full Age Pension.

The threshold will increase from \$202,000 to \$250,000 for a single who is a homeowner and from \$286,500 to \$375,000 for couples who are homeowners.

The new thresholds for pensioners who do not own their own home are \$200,000 higher than for homeowner pensioners.

The Government will also increase the Age Pension assets test taper rate. This will reduce the maximum value of assets a retiree can hold to qualify for a part pension. For every \$1,000 of assets over the asset-free threshold, the pension rate will reduce by \$3 a fortnight. This is an increase from the previous \$1.50 per fortnight taper rate.

This means that the limit at which someone can receive a part pension will be reduced from \$1.15 million to \$823,000 for couples who are homeowners. For singles who are homeowners, the limit will reduce from \$775,000 to \$547,000.

Pensioners who lose pension entitlements on 1 January 2017 as a result of these changes, will be guaranteed eligibility for the Commonwealth Seniors Health Card or a Health Care Card for those under the Age Pension age.

These changes will have varying impacts on retirees depending on their level of assets and income.

Age Pension indexation

The Government announced it would not proceed with measures proposed in the 2014/15 budget to reset the deeming rate thresholds. The Age Pension income test free areas and deeming thresholds will continue to be indexed annually by the Consumer Price Index (CPI), and the Government will no longer proceed with its previous proposal to freeze or reset these amounts.

Age Pension rates will continue to be indexed under current arrangements — by the higher of the increases in the CPI or the Pensioner and Beneficiary Living Cost Index and benchmarked against Male Total Average Weekly Earnings.

Increase in the Medicare levy

The Government plans to increase the Medicare levy low-income thresholds for singles, families and single seniors and pensioners from the 2014/15 income year. This means that low-income taxpayers will generally continue to be exempt from paying the Medicare levy.

The threshold for singles will be increased to \$20,896. For couples with no children, the threshold will increase to \$35,261 and the additional amount of threshold for each dependent child or student will be increased to \$3,238. For single seniors and pensioners, the threshold will be increased to \$33,044.

For those still working and contributing to super...

Cap on not-for-profit salary package benefits

The amount employees of not-for-profit institutions and public health sector workers can salary package for meal and entertainment benefits are to be capped.

These benefits can currently be salary packaged without attracting fringe benefits tax from an employer, and don't need to be reported to the Australian Tax Office.

The proposed cap will be a separate, single, grossed up amount of \$5,000. Amounts above this cap can also be counted in calculating whether an employee exceeds their existing fringe benefits tax (FBT) exemption or rebate cap. All use of

meal entertainment benefits will become reportable. These changes will apply from 1 April 2016.

Changing rules around releasing super for terminal medical conditions

The Government has made changes to allow access to super account balances if a member is diagnosed with a terminal medical condition that is likely to result in the death of the person within a period that ends not more than 24 months after the date of the certification. However they will not qualify for release of any insurance benefit until they have received certification of a terminal illness that is likely to lead to their death within 12 months.

Other changes

HESTA's administrator, Superpartners, purchased by LINK Group in December 2014

You may notice some small changes — to the look and feel of HESTA Income Stream Online for example — but rest assured, any changes will be in the best interests of members.

Strategic asset allocation changes

Strategic asset allocation changes were made during the year for some of our investment options. For current allocations, visit hesta.com.au/ispds

Have questions?

Request an appointment with a HESTA Advisor at:

hesta.com.au/advice



QA with Robert Fowler



HESTA Chief Investment Officer, Robert Fowler, answers your questions about investment performance and risk.

What asset classes contributed to the positive performance of the diversified investment options?

Solid international and Australian share markets were, again, the main contributors to the good performance of options with an exposure to shares.

Strong returns from Australian property also underpinned performance, while credit performed in line with our expectations.

HESTA Income Stream Balanced, Defensive, Conservative and Active options have all comfortably outperformed their investment objectives over one, three and five-year time periods.

Eco, HESTA Income Stream's socially responsible investment option, also performed strongly. Launched in 2012, Eco has strongly outperformed its investment objective since inception and achieved 15.44% in 2014/15.

We're achieving our investment objectives for both HESTA Income Stream Cash and Term Deposits. However, these investment objectives are linked to the Reserve Bank of Australia's (RBA) cash rate. So, the actual return for these investments has fallen as the RBA has recently cut the cash rate.

Did the fall in the value of the Australian dollar impact performance?

The fall in value of the Australian dollar earlier in the 2014/15 financial year was positive for performance of investment options with exposure to international assets.

We value international assets in Australian dollars, as this is the currency in which we pay your income stream.

If the Australian dollar falls relative to the currency of an international asset, the value of that asset in Australian dollars increases.

Of course, this can also work in reverse. A rise in the value of the Australian dollar relative to the currency of a foreign asset, reduces a potential profit, or can even create a loss.

We manage the risk of an unfavourable currency movement by hedging part of any currency risk.

All HESTA Income Stream investment options with an exposure to international assets have part of their currency exposure hedged.

Do you expect continued strong performance?

HESTA Income Stream members invested in Balanced and Active options have enjoyed strong returns during the past three years.

While these strong returns are pleasing, it's unrealistic to expect this level of performance to continue over a number of years.

Since 2008, we've seen an unprecedented period of monetary easing worldwide. Central banks have attempted to stimulate economic activity by keeping interest rates at historically low levels and through policies like the US Federal Reserve's bond-buying program (Quantitative Easing or QE).

"While the strong returns of the past three years are pleasing, it's unrealistic to expect this level of performance to continue over a number of years."

Robert Fowler,
HESTA Chief Investment Officer

The economic benefits of QE are questionable. However, the resulting low interest rates and subsequent search by many investors for better yielding investments, has certainly pushed up the value of many assets. Every asset is really only the value of its future cash flows. The increased price of many assets is, in effect, bringing forward future capital returns, particularly of yielding or income-producing assets. As Central Banks move from the current lower interest rates cycle, we expect an adjustment in the prices of these assets.

As a result, we're expecting lower, single-digit annual returns during the medium term (five years). That's why the medium-term objectives of Balanced and Eco are 0.5% lower than their long-term objectives. We've maintained objectives for other diversified investment options.

Should I be concerned about what's happening in Greece?

At the time of writing (early July 2015), we're seeing increased share market volatility. This is a result of uncertainty surrounding negotiations between the Greek Government and its creditors.

While we don't believe this will have a lasting impact on financial markets — or the European economy — we're watching proceedings closely to determine if we need to take protective action for your savings.

Learn more about the performance of your investments at:

hesta.com.au/isperformance >

Tips from **ME** on how to get financially fit



Just like physical fitness relies on eating well and exercise, your financial fitness depends on making positive steps in the right direction.

Here are some tips to get you started on your financial fitness journey.

1: Weigh up your situation

To begin with, track your income and what you spend your money on. Your bank statements are often a good place to start. You can then categorise your expenses into mandatory and discretionary spending — this will allow you to make informed decisions on your budget and identify your savings potential.

2: Set goals

Next, work out what your priorities are. Write down your goals, being specific and realistic about what you want to achieve. Know exactly how much you want to save and by when.

3: Keep it streamlined

Juggling multiple debts can be stressful and costly. If you're struggling to keep track of your debts, it's a good idea to consolidate debt into a single personal loan.

4: Grow your savings

Next, ensure your everyday bank account is working hard for you. Consider looking for savings accounts with high interest rates and longer bonus periods, or avoid bonus-based savings products altogether and choose one paying a consistently strong rate.

5: Get a trainer

Engage with your bank to help you achieve your peak financial fitness. Having a discussion about the right banking products to help achieve your goals is time well spent. With the right support and the right banking products, you can fast-track your financial goals to achieve ultimate financial fitness.

For more ideas on improving your financial fitness call **ME** on 13 15 63 or visit mebank.com.au



We've changed from ME Bank to simply **ME**, with a logo that's black and white, just like **ME**.

But, we're still 100% owned by the industry super funds — including HESTA — that created a bank to help Australians get ahead.

Need advice?

Superannuation Advisers

HESTA Superannuation Advisers specialise in delivering personal advice on super — at no extra cost. They also provide advice on transition to retirement and full retirement strategies for a low fixed fee.



Craig Austen
WA



Danielle Costello
WA



Erik Donert
VIC



Joanne Fenton
TAS



Michelle Kerlin
NSW/ACT



Daz Monnekulame
VIC



Gillian Rode
VIC



Sam Thompson
QLD



Eric Thomson
NSW



Pat Toffoli
SA/NT

Superannuation Advice Officers

Our Superannuation Advice Officers provide general phone advice on all aspects of HESTA and HESTA Income Stream.



Adisa Turbic
Team Leader



Ben Bradley



Trang Nguyen-Yang

Financial Planners

HESTA Financial Planners are licensed to give you advice on all financial matters, including any investments you have outside super, retirement and tax planning, and Centrelink entitlements. This service is offered on a fee-for-service basis so you can agree on the fee you pay upfront.



Peter Jackson
VIC
Manager



Daniel Callaghan
NSW/QLD



David Francis
WA/SA/NT



Lisa Taylor
VIC/TAS



Betty Tran
NSW/ACT

To find out more about these services or to make an appointment with an adviser, complete the enquiry form at hesta.com.au/advice

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Keeping track of your account is easy with **HESTA Income Stream Online**



*Enjoy around-the-clock
access to your account*

Register now
hesta.com.au/isonline

Use HESTA Income Stream Online to:

- ▶ update your member details, including your address and phone numbers
- ▶ change or update your beneficiaries
- ▶ review your investment allocation
- ▶ change your payment arrangements
- ▶ check your balance
- ▶ access investment returns
- ▶ make a partial withdrawal.

Best of all, you can do all of this at a time that suits you.

Contact us

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