Hunter United
Super Fund Retirement Savings Account (RSA)

Supplementary Product Disclosure Statement (PDS)

Issued 25th October 2017

Hunter United
Customer Owned Banking

Update to Hunter United Super Fund Retirement Savings Account (RSA) Product Disclosure Statement (PDS) dated 1 March 2015

Change to Section 2 How our Super Fund works page 4 first paragraph

You are encouraged to make contributions to your Hunter United Super Fund during your working life in preparation for your eventual retirement. Your Hunter United Super Fund will also be credited with interest earned and any relevant fees will be debited from your account. You will receive an annual statement detailing any transactions and your account balance (fund benefit). For added convenience, Hunter United customers can view their Hunter United Super Fund balance via our secure RSA Online system.

Replaces Section 3 Making Contributions pages 5, 6 & 7

3. Making Contributions

The Hunter United Super Fund can receive contributions from individuals, employers on your behalf, spouses and self-employed persons. From a taxation perspective, there are basically two kinds of superannuation contributions – concessional and non-concessional.
Concessional (pre-tax) contributions to your super include:

- Employer contributions
- Any amount you salary sacrifice into super
- Personal contributions you claim as person super contributions deductions.

As concessional contributions are paid before tax is applied it means that your super fund pays tax on the contributions at 15%.

The concessional contributions cap is **$25,000 for everyone.** This is a new cap applied from 1 July 2017. Previously it was $35,000 for people 49 years and older at the end of the previous financial year and $30,000 for everyone else. The new cap will be indexed in line with the average weekly ordinary time earnings (AWOTE), rounded down to the nearest $2,500.

From 1 July 2018, you will also be able to **"carry forward"** any unused amount of your **unused concessional contributions cap**. You will be able to access you unused concessional contributions cap space on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire. The first year in which unused concessional contributions that have been carried forward can be accessed is 2019–20. This can only be accessed if your total superannuation balance at the end of 30 June of the previous financial year is less than $500,000. More information is available on the ATO website.

Note: Any concessional contributions that exceed the concessional contribution caps will be added to your assessable income and taxed at your marginal tax rate.

The **superannuation guarantee (SG) contribution rate** is set at 9.5% until the financial year ended 30 June 2021. It will increase by 0.5% from 1 July 2021 until it reaches 12% for financial years on or after 1 July 2025.

Individuals with income greater than $250,000 from 1 July 2017 will be subject to a higher rate of contributions tax in respect of concessional contributions made by themselves or on their behalf. Refer to section 11 for further details.

Non-concessional contributions (after tax) include:

- personal contributions for which you do not claim an income tax deduction, and
- spouse contributions.

If you have more than one super fund, all non-concessional contributions made to all of your funds are added together and count towards the non-concessional contributions cap. From 1 July 2017, the annual non-concessional contributions cap was **reduced from $180,000 to $100,000 per year**. This remains available to individuals aged between 65 and 74 years old if they meet the work test*.

The non-concessional contributions cap is set at four times the concessional cap ($25,000 for 2017 -18) and will increase in line with the indexation of the concessional contributions cap.

Form 1 July 2017 your non-concessional contributions cap will be nil for a financial year if you have a total superannuation balance greater than or equal to the general transfer balance cap ($1.6million for 2017-18) at the end of 30 June of the previous financial year. In this case, if you make non-concessional contributions in that year, they will be excess non-concessional contributions.

"Bring forward" arrangement, if you are under 65 years old, you may be able to make non-concessional contributions of up to three times the annual non-concessional contributions cap in a single year by bringing forward your non-concessional contributions cap for a two or three-year period. If eligible, when you make contributions greater than the annual cap, you automatically gain access to future-year caps. This is known as the 'bring-forward' arrangement.

From 1 July 2017, the **non-concessional contributions cap** amount that you can bring forward, and whether you have a two or three year bring forward period, will depend on your total superannuation balance at the end of 30 June of the previous financial year. For 2017-18, to access the non-concessional bring-forward arrangement:

- You must be under 65 years of age for one day during the triggering year (the first year)
- Your total superannuation balance must be less than $1.5 million at the end of 30 June 2017.

The remaining cap amount for years two or three of a bring-forward arrangement is reduced to nil for a financial year if your total superannuation balance is greater than or equal to the general transfer balance cap at the end of 30 June of the previous financial year. The rules for the "bring forward" arrangements were updated from 1 July 2017 and if you have triggered a bring forward period in 2015-16 or 2016-17 but have not fully used your bring-forward amount before 1 July 2017, transitional arrangements will apply. If you're uncertain if you have triggered a bring-forward arrangement, or you need assistance working out your 2017-18 contributions cap you should contact the **ATO on 13 10 20**.

**Work Test - You must have worked at least 40 hours over a consecutive 30-day period during the financial year in which contributions are made. Hunter United will request that you provide a written declaration of this.*

Contribution Eligibility for Individuals

Eligible contributions are controlled by the Australian Government's retirement policy.

To be eligible to contribute, or have contributions made on your behalf, the contributions must be made either by yourself, your spouse, your employer or the Australian Taxation Office.

Your employer's contributions may be made in satisfaction of superannuation guarantee (SG) requirements, an industrial agreement or on a voluntary basis. A mandated employer contribution is one which is made to satisfy a law or an industrial agreement.

If you have reached 65 years of age you need to satisfy the work test (noted above) to be able to make contributions (excluding mandated employer contributions which do not require the work test to be met).

Once you have reached 75 years of age, only mandated employer contributions may be made by your employer to your Hunter United Super Fund.

Contributions for your spouse

If your spouse is under 65 years of age, or has reached 65 but not yet 70 and has satisfied the work test (noted above), you can contribute towards your spouse's retirement by making contributions to his or her Hunter United Super Fund. These are treated as non-concessional contributions as discussed above.

Rebate on contributions for your spouse

Depending upon your spouse's assessable income, you may be able to claim a tax rebate on those contributions you make to his or her Hunter United Super Fund.
You may be eligible to claim the maximum tax offset of $540 if:

- you contribute to an eligible fund, such as this product, for your spouse, whether married or defacto;
- your spouse's income is $37,000 or less, however the tax offset amount will gradually reduce for income above this amount and completely phases out when your spouse's income reaches $40,000.

You will not be entitled to the tax offset when your spouse receiving the contribution:

- exceeds their no-concessional contributions cap for the relevant year, or
- has a total superannuation balance equal to or exceeding the general transfer balance cap ($1.6million for 2017/18) immediately before the start of the financial year in which the contribution was made.

More information on this and other applicable eligibility rules is available on the ATO website.

Low Income Super Tax Offset (LISTO)

A tax offset is available to superannuation funds based on the tax paid on concessional contributions made on behalf of low income earners. The offset means individuals with an adjusted taxable income up to $37,000 will receive a refund into their superannuation account on their concessional superannuation contributions, to a cap of $500.

Government's Co-contribution Scheme

The Governments super co-contribution scheme helps eligible low or middle-income earners boost their superannuation savings, when they make personal (after-tax) contributions into their super. For every $1 of personal non-concessional contributions made into your super within a financial year, the Government will contribute $0.50, up to a maximum amount of $500.

For the 2017-18 financial year, you will be eligible for a co-contribution if you answer yes to ALL of the below:

- you have a Total Superannuation Balance (as defined by the Australian Taxation Office) less than the general transfer balance cap on 30 June of the year before the relevant financial year;
- the contribution you made to your super fund has not exceeded your non-concessional contributions cap for that year.
- you made one or more eligible personal super contributions to your super account during the financial year;
- you pass the two income tests below
    - income threshold test – your total income must be less than the higher income threshold for that financial year:
        - lower threshold $36,813 for 2017-18
        - higher threshold $51,813 for 2017-18

If your total income is between the two thresholds, your maximum entitlement will reduce progressively as your income rises. If your total income is less than the lower threshold you may receive the maximum co-contribution. The thresholds are updated annually and are available on the Australian Tax Office website.

    - 10% eligible income test – 10% or more of your total income must come from employment related activities, carrying on a business, or a combination of both.
- you were less than 71 years old at the end of the financial year
- you did not hold a temporary visa at any time during the financial year (unless you are a New Zealand citizen or it was a prescribed visa)
- you lodged you tax return for the relevant year.

Contributions by the self employed

If you are fully self-employed or substantially self-employed (i.e. you derived less than 10% of your total assessable income from employed sources), you are eligible to claim a tax deduction for contributions to this fund. These contributions are classified as personal super contributions. You will be able to claim a full tax deduction until you are 75 years old. If you are aged 65 to 74 you will need to meet the work test (noted earlier) to be eligible to contribute and claim a tax deduction. The contributions tax of 15% will only apply to those contributions claimed as a tax deduction. A written declaration to Hunter United must be provided for each contribution you will be claiming as a tax deduction.

This deduction is subject to certain limits:

Age at end of Financial Year	Maximum concessional contributions from 1 July 2014
Under 50 Years	$30, 000
50 years and over	$35, 000

Note: Any concessional contributions that exceed the concessional contribution caps will be added to your assessable income and taxed at your marginal tax rate

Replaces Section 9 Past Performance page 11 of the PDS 9. Past Performance

The average annual effective rate of return paid by the Hunter United Super Fund is summarised in **table 1.1**.

Replaces Section 10 Fees and other costs – specifically the Administration Fee in the table on page 12 of the PDS

Administration fee - $10.00 per month deducted from account balance (includes access to a linked Hunter United transaction account)

Table 1.1

PAST PERFORMANCE (net of tax)											
Account Balance	Annual effective rate return (%)					Compound average of the annual effective rate of return (%)					Compound Average (%)
	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2012 - 2013	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	1 July 2012 - 30 June 2017
$1 - $1,999	0.76	0.25	0.20	0.04	0.04	0.77	0.25	0.20	0.04	0.04	0.26
$2000 - $9,999	1.19	0.67	0.55	0.21	0.07	1.19	0.68	0.55	0.21	0.07	0.54
$10,000 - $19,999	1.61	1.10	0.97	0.62	0.28	1.62	1.10	0.98	0.62	0.28	0.92
$20,000 - $49,999	2.04	1.52	1.40	1.05	0.71	2.06	1.53	1.41	1.05	0.71	1.34
$50,000 & above	2.46	1.95	1.82	1.47	1.13	2.49	1.97	1.84	1.48	1.14	1.77

Changes to Section 11 How Super Funds are taxed – specifically Taxation on Contributions page 13. of the PDS

Concessional contributions (which include employer contributions and self-employed contributions where a tax deduction is claimed) are taxed at 15% by the Australian Government. The tax is deducted on receipt of these contributions.

From 1 July 2017, if your annual income for surcharge purposes exceeds $250,000 you will pay a tax surcharge of 15% on your concessional contributions to the extent that when added to your other income, your concessional contributions exceed the $250,000 income threshold. This will effectively mean that you will pay tax on your concessional contributions at the rate of 30% to the extent the $250,000 cap is exceeded.

Please note there are also limits placed on the amount of concessional contributions that can be made (see section 3).

If you make excess concessional contributions in a financial year these will be included in your assessable income in that year and taxed at your marginal rate, plus an interest charge, but you will be allowed a tax off-set in that income year for the excess contributions equal to 15% of those excess contributions.

Certain employer termination payments (ETP's) attract contribution tax as do roll-overs from untaxed public-sector superannuation funds.

Non-concessional contributions (which include individual contributions where a tax deduction is not claimed) are not taxed on entering the fund. Generally, roll-overs from complying superannuation funds and RSA's are not taxed on entering the fund.

Changes to Section 11 How Super Funds are taxed – specifically Taxation on Withdrawing Superannuation page 14. of the PDS

The tax applicable when withdrawing your superannuation will depend on your age and the make-up of the individual components.

Under Preservation age

- The taxable component – taxed element – lump sum- will be taxed at your marginal tax rate or 22% whichever is lower.
- The taxable component – untaxed element – lump sum- will be taxed at your marginal tax rate or 32% whichever is lower unless the lump sum is more than the untaxed plan cap (which is $1.415 million in 2016/17 and $1,445 million in 2017/18). For amounts over the untaxed plan cap the tax applied is the top marginal rate.
- The tax-free component will be tax-free.
- All tax rates include the Medicare levy.

If you are between your preservation age and 60 years old

- The taxable component will be tax free **up to a low rate cap** of $200,000 (in 2017/18).
- The taxable component – taxed element –

lump sum will be taxed at 0% u**p to the low rate cap**.

- The taxable component – <u>taxed element</u> – lump sum **above the low rate cap** will be taxed at your marginal tax rate or 17%, whichever is lower, **above the low rate cap**.

- The taxable component – <u>untaxed element</u> – lump sum - will be taxed at your marginal tax rate or 17%, whichever is lower up to the low rate cap.

- The taxable component – <u>untaxed element</u> – lump sum **above the low rate cap** will be taxed at your marginal tax rate or 32%, whichever is lower. Unless the lump sum is more than the **untaxed plan cap** (which is $1.415 million in 2016/17 and $1,445 million in 2017/18), then the amount above the cap will be taxed at the top marginal rate.

- The tax-free component will be tax-free.

- All tax rates include the Medicare levy.

60 years and over

- The taxable component – <u>taxed element</u> – lump sum – no tax

- The taxable component – <u>untaxed element</u> – lump sum – your marginal tax rate or 17%, whichever is lower, unless the lump sum is more than the **untaxed plan cap** (which is $1.415 million in 2016/17 and $1,445 million in 2017/18), in which case the amount above the cap will be taxed at the top marginal rate.

- The <u>tax-free component</u> will be tax-free.

- All tax rates include the Medicare levy.

Please note: the components on withdrawal will generally be required to be taken in the same proportion as the components in your account at the time of withdrawal.

**The low rate threshold is indexed annually in increments of $5,000.*

Change to <u>Additional Information – How to apply</u> page 18. of the PDS

Updated phone contact 02 4941 3888

Change and addition to <u>Section 13 Pension Option</u> page 20. of the PDS

From 1 July 2017, the government has removed the tax-exempt status of earnings from assets that support a transition to retirement income stream (TRIS). Earnings from assets supporting a TRIS will be taxed at 15% regardless of the date of the TRIS commencing.

In addition, you will no longer be able to treat super income stream payments as lump sums for taxation purposes.

Updated phone contact 02 4941 3888

Replaces <u>Section 15 Privacy</u>

A copy of our Privacy Policy outlining how we handle your personal information is maintained on our website and can be accessed at www.hunterunited.com.au

Replaces <u>Section 17 Contact details</u> page 20. of the PDS

If you have any questions or would like more information, please contact Hunter United:
phone: (02) 4941 3888
fax: (02) 4941 3863
email: enquiry@hunterunited.com.au
address: PO Box 851 Newcastle, NSW 2300
web: www.hunterunited.com.au

Hunter United currently utilises the services of Financial Synergy an IRESS Limited company to provide certain administrative support services to assist in the provision of the Hunter United Super Fund Retirement Savings Account.