

TWOMEY PATTERSON



Chartered Accountants
NEWSLETTER
MARCH 2005

EMPLOYEE'S CHOICE OF SUPERANNUATION FUND

From 1 July 2005, many employees must be given the opportunity to choose into which superannuation fund their compulsory employer superannuation contributions are paid. Employees can nominate any complying superannuation fund that can accept their contributions.

Although employees must be given the choice to choose their fund, they do not have to exercise that choice.

Employers must select a default superannuation fund which complies with the regulations and into which contributions will be forwarded if the employee does not make a choice. The default fund will generally be the fund to which most employees are currently contributing.

Employers should ensure that their payroll system allows for multiple superannuation funds.

Death Cover

Where an employee does not choose a superannuation fund, an employer must pay the employee's superannuation contributions to a fund which offers a minimum level of death cover.

An employer can either pay superannuation contributions to a fund which:

- provides death cover on the following age-based benefit levels:

| Age Range | Level of Life Insurance |
|------------|-------------------------|
| 35 or less | \$50,000 |
| 36 to 45 | \$35,000 |
| 46 to 50 | \$25,000 |
| 51 to 55 | \$15,000 |
| 56 or more | Nil |

Or (all ages)

- offers death cover at a premium of at least \$0.75 per week per employee.

Standard Choice Form

A Standard Choice Form (see attached) must be given to all employees, and is required to be completed by employees who decide to choose the fund into which their employer should pay contributions.

Employees who start employment after 1 July 2005 must be given such a form within 28 days of commencing employment. Employees employed before 30 June 2005 must receive that form before 29 July 2005.

If an employee does not make a choice, the employer's contributions will be paid into the employer-chosen default fund. If an employee makes a choice, the choice form must provide the employer with the required information.

Information to be provided to the Employer

When an employee chooses a fund, the employee must give the employer a written statement. The employee must provide information that includes:

- the fund's contact details;
- evidence that the fund will accept contributions on behalf of the employee;
- the employee's fund account details;
- the account name and membership number in the fund;
- a written statement that the fund is complying;
- the full name of the fund and fund's Australian Business Number;
- identification of the superannuation product (if applicable); and
- details of how the employer can make contributions to the fund.

Warnings

Employees should be made aware that if they transfer out of their existing fund they may lose their current life insurance benefits.

However, employers cannot provide advice to their employees about selecting a superannuation fund. They can provide general information only.

Employers who do not meet the requirements of the new Superannuation Choice legislation will be subject to the following penalties:

- Increase in employers SG of 25%
- Maximum penalty of \$500 per employee per notice period (28 days)

SUPERANNUATION GUARANTEE CHARGE

Employers are required to remit 9% superannuation on behalf of eligible employees on a *quarterly* basis by the 28th day of the month following the end of the quarter.

Due dates are:

| | |
|------------------------|-----------------|
| 1 July- 30 September | Due: 28 October |
| 1 October- 31 December | Due: 28 January |
| 1 January – 31 March | Due: 28 April |
| 1 April – 30 June | Due: 28 July |

If contributions are not paid by the due date, or if an insufficient amount is paid, then the employer has a Superannuation Guarantee Charge.

Superannuation Guarantee Charges must be sent to the Tax Office and are made up of:

- The total of the individual shortfalls for all employees
- A nominal interest component of 10%pa
- An administration component of \$20 per employee for whom there is a shortfall.

There is no tax deduction for any component of the Superannuation Guarantee Charge.

SUPERANNUATION CO-CONTRIBUTION

We have received a number of Superannuation Co-Contribution Advices that indicate that people are incorrectly notifying their superannuation fund of the nature of their superannuation contributions.

There are different tax and co-contribution implications, depending on whether or not contributions are personal or from employers.

Please ensure the 9% Super or Salary Sacrifice is notified as an **employer** contribution to the Super Fund.

After tax contributions by an employee are considered to be employee or personal contributions.

NEW CHILD CARE REBATE

The Government's decision to backdate the introduction of the new 30% Child Care Rebate ('the Rebate') to 1 July 2004 will offer some New Year joy to around 640,000 eligible families. The rebate covers 30% of out-of-pocket child care expenses. Eligible child care expenses comprise the fees paid for approved child care minus the Child care Benefit.

The Rebate for the 2004/2005 income year is payable to a maximum of \$4,000 per child and can only be claimed in the succeeding year's tax return (2005/2006 tax return). The Rebate is non-refundable but may be transferred to a spouse in order to reduce the spouse's tax liability.

Remember though, families need to keep all receipts for childcare paid in order to substantiate their claim.

LAND TAX

Reminder: Landowners who owned land (other than exempt land) at the 31st December 2004, with an Unimproved Value of \$25,000 or more, need to lodge a Land Tax Return with the Office of State Revenue by the 31st March 2005.

The articles contained in this newsletter are intended for information only and not for advice. For further information or advice, please contact your nearest office.

Cootamundra
02 6942 1266

Wagga Wagga
02 6921 2349

Young
02 6382 5011

Coolamon
02 6927 3207

Ganmain
02 6927 6161

Harden
02 6386 2485



Choice of superannuation fund Standard choice form – information for employees

You can choose the superannuation fund or retirement savings account (referred to below as superannuation funds) to which your employer will make future superannuation guarantee contributions (9%).

Option 1:

You do not have to choose a fund.

If you do not make a choice, your employer's contributions will be paid into the fund that your employer has chosen (see Part A on the reverse side of this form). This may not be the same as your current fund.

Your employer's chosen fund may be suitable for your needs. You can choose a different fund later if you like.

If you do not want to choose a fund, you do not have to complete this form.

❗ Your employer is not liable for the performance of superannuation funds that you choose or they choose on your behalf.

❗ Do not seek financial advice from your employer unless they are licensed to provide it.

➤ MORE INFORMATION

You can get more information about choice of superannuation fund or superannuation in general from:

- www.superchoice.gov.au, or
- by phoning **13 28 64**

If you do not speak English well and want to talk to an Australian government officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

➤ TIPS FOR COMPARING FUNDS

Fees

Most funds charge fees. Differences in the fees funds charge can have a big effect on what you may have to retire on. This effect may be more than you think and for this reason you need to consider what fees are being charged. For example, your final return could be reduced by up to 20% over 30 years if your total amount of fees and costs are 2% rather than 1% (eg, from \$100,000 to \$80,000). Some funds may also charge an exit fee if you leave the fund.

Death and disability insurance

Your current fund may insure you against death or an illness or accident that makes you unable to return to work. Other funds may not offer insurance, or you may have to pass a medical examination before they cover you. Check if you'll be covered in any new fund, and the costs and amount of cover, before leaving your current fund.

Option 2:

Choose a fund

You can choose the superannuation fund where you want your future employer contributions to be paid.

Your employer is only required to accept one choice every 12 months.

Step 1

Gather information – work out what's best for you

You will need to find out what superannuation options are available to you.

Find out about the features and benefits of your current fund, the fund chosen by your employer and any other funds you are considering. Your current fund may be different to the fund chosen by your employer.

➤ The tips section highlights key issues you should consider when comparing funds.

Step 2

What do I need to tell my employer?

Give your employer details of your chosen fund by **completing Part B** of this form or by a written statement including the necessary information. This information may be provided by your chosen fund.

Part A shows details of your employer's superannuation arrangements. This includes the fund that your employer has chosen to make all future superannuation guarantee contributions to. If your employer has changed funds recently, the previous fund will also be shown. You may choose to remain in this previous fund.

Step 3

What happens to any superannuation I have in existing funds?

Any money you have in existing funds will remain there unless you make arrangements to transfer it (roll over) to another fund. Check the impact of any exit fees or benefits you may lose before leaving the fund. Your employer cannot do this for you.

Investment choice

Some funds let you choose where the fund will invest your super. Some choices offer higher returns, but with a higher risk that investments may go down as well as up. Other choices offer greater security but with lower expected returns. Choose the level of risk and return that you are comfortable with.

Investment performance

Superannuation is a long term investment for your retirement, so its investment performance needs to be judged over the long term. Short term performance, whether good or bad, may not be repeated. There is no guarantee that a fund that has performed well in the past will do so in the future.

The information you'll need to make these checks is in each fund's product disclosure statement which you can get from the fund. For further information on choosing a fund go to the website www.superchoice.gov.au or phone **13 28 64**.



Choice of superannuation fund Standard choice form

Part A: Employer to complete

➤ Give this form to your employee after you have completed Part A.

1 Employer name

2 Employer superannuation guarantee contributions will be made to the following fund:

Fund name

Superannuation product identification number (if applicable)

For the product disclosure statement for this fund (if applicable) Phone

Fund website

3 Employer superannuation guarantee contributions have previously been made to: (if different to above)

➤ If the employer fund has not changed please write 'as above' in fund name box below.

Fund name

Superannuation product identification number (if applicable) Phone

Fund website

4 Employer contributions:

Superannuation contributions are currently made at a higher level than the required 9% Yes No

If Yes, superannuation contributions will continue at this higher level if the employee chooses a fund other than the fund named in part A question 2 Yes No

ⓘ Note that this statement does not alter an employer's legal obligations (if any) relating to future payments.

Part B: Employee to complete – ONLY IF MAKING A CHOICE

1 I request that all future superannuation guarantee contributions be made to:

my employer's previous superannuation fund named in part A question 3 ➤ Go to question 4 below.

my own choice of fund ➤ Complete questions 2, 3 and 4 below.

2 Your chosen fund details:

Fund name

Membership No. (if applicable)

Account name

Fund Australian business number (ABN) (if applicable)

Superannuation product identification number (if applicable) Phone

3 I have attached:

- a letter from the trustee stating that this is a complying fund and (for a self managed superannuation fund) a copy of documentation from the Tax Office confirming the fund is regulated
- written evidence from the fund they will accept contributions from my employer, and
- details about how my employer can make contributions to this fund.

4 Employee name

Employee No. (if applicable)

Date / /

Signature

➤ Return this form to your employer. Do not send this form to the Tax Office or to your superannuation fund.

Part C: Employer only

Date accepted / /

Processed / /



Choice of superannuation fund Standard choice form – information for employees

You can choose the superannuation fund or retirement savings account (referred to below as superannuation funds) to which your employer will make future superannuation guarantee contributions (9%).

Option 1:

You do not have to choose a fund.

If you do not make a choice, your employer's contributions will be paid into the fund that your employer has chosen (see Part A on the reverse side of this form). This may not be the same as your current fund.

Your employer's chosen fund may be suitable for your needs. You can choose a different fund later if you like.

If you do not want to choose a fund, you do not have to complete this form.

❗ Your employer is not liable for the performance of superannuation funds that you choose or they choose on your behalf.

❗ Do not seek financial advice from your employer unless they are licensed to provide it.

➤ MORE INFORMATION

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Most funds charge fees. Differences in the fees funds charge can have a big effect on what you may have to retire on. This effect may be more than you think and for this reason you need to consider what fees are being charged. For example, your final return could be reduced by up to 20% over 30 years if your total amount of fees and costs are 2% rather than 1% (eg, from \$100,000 to \$80,000). Some funds may also charge an exit fee if you leave the fund.

Death and disability insurance

Your current fund may insure you against death or an illness or accident that makes you unable to return to work. Other funds may not offer insurance, or you may have to pass a medical examination before they cover you. Check if you'll be covered in any new fund, and the costs and amount of cover, before leaving your current fund.

Option 2:

Choose a fund

You can choose the superannuation fund where you want your future employer contributions to be paid.

Your employer is only required to accept one choice every 12 months.

Step 1

Gather information – work out what's best for you

You will need to find out what superannuation options are available to you.

Find out about the features and benefits of your current fund, the fund chosen by your employer and any other funds you are considering. Your current fund may be different to the fund chosen by your employer.

➤ The tips section highlights key issues you should consider when comparing funds.

Step 2

What do I need to tell my employer?

Give your employer details of your chosen fund by **completing Part B** of this form or by a written statement including the necessary information. This information may be provided by your chosen fund.

Part A shows details of your employer's superannuation arrangements. This includes the fund that your employer has chosen to make all future superannuation guarantee contributions to. If your employer has changed funds recently, the previous fund will also be shown. You may choose to remain in this previous fund.

Step 3

What happens to any superannuation I have in existing funds?

Any money you have in existing funds will remain there unless you make arrangements to transfer it (roll over) to another fund. Check the impact of any exit fees or benefits you may lose before leaving the fund. Your employer cannot do this for you.

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Choice of superannuation fund Standard choice form

Part A: Employer to complete

➤ Give this form to your employee after you have completed Part A.

1 Employer name

2 Employer superannuation guarantee contributions will be made to the following fund:

Fund name

Superannuation product identification number (if applicable)

For the product disclosure statement for this fund (if applicable) Phone

Fund website

3 Employer superannuation guarantee contributions have previously been made to: (if different to above)

➤ If the employer fund has not changed please write 'as above' in fund name box below.

Fund name

Superannuation product identification number (if applicable) Phone

Fund website

4 Employer contributions:

Superannuation contributions are currently made at a higher level than the required 9% Yes No

If Yes, superannuation contributions will continue at this higher level if the employee chooses a fund other than the fund named in part A question 2 Yes No

ⓘ Note that this statement does not alter an employer's legal obligations (if any) relating to future payments.

Part B: Employee to complete – ONLY IF MAKING A CHOICE

1 I request that all future superannuation guarantee contributions be made to:

my employer's previous superannuation fund named in part A question 3 ➤ Go to question 4 below.

my own choice of fund ➤ Complete questions 2, 3 and 4 below.

2 Your chosen fund details:

Fund name

Membership No. (if applicable)

Account name

Fund Australian business number (ABN) (if applicable)

Superannuation product identification number (if applicable) Phone

3 I have attached:

- a letter from the trustee stating that this is a complying fund and (for a self managed superannuation fund) a copy of documentation from the Tax Office confirming the fund is regulated
- written evidence from the fund they will accept contributions from my employer, and
- details about how my employer can make contributions to this fund.

4 Employee name

Employee No. (if applicable)

Date / /

Signature

➤ Return this form to your employer. Do not send this form to the Tax Office or to your superannuation fund.

Part C: Employer only

Date accepted / /

Processed / /