• Superannuation Fund Insurance •

Do you know all about the benefits of having insurance through a superannuation fund and why insurance in a superannuation fund is a good idea?

An example of rates for $250,000 Death and TPD cover

Next Birthday	Non-Smoker	Smoker
Age 35 years	$177.50	$285.00
Age 45	$421.50	$685.00
Age 55	$1650.00	$2612.50

- The superannuation fund can obtain a tax deduction for the premium paid
- Generally proceeds may be paid tax free to dependants.
- If the insurance benefit is used to provide a pension to a dependant under age 18, the pension receives a 15% rebate, with the child taxed at adult rates of tax.

Accordingly, the strategy of having significant cover in a superannuation fund is particularly recommended for clients who have a requirement for cover and who have dependant children under the age of 18 years.

Have you got enough cover?

We have negotiated competitive rates for term life insurance cover and are pleased to assist you with your insurance needs.

• About Bastion Superannuation Solutions •

Formed in June 2003, Bastion Superannuation Solutions represents the culmination of more than 30 years combined expertise of the directors, who are highly regarded within the industry.

With extensive experience in the design, administration and strategic planning of self managed superannuation funds, Bastion is able to provide clients with a fully integrated service for managing all their superannuation fund needs.

Our range of services include -

- Preparation and Review of Trust Deeds
- Administration of self-managed superannuation funds and pension funds
- Specialised Technical Advice and services ancillary to Self-Managed Superannuation Funds
- Group Life Insurance Pool for superannuation members

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SUPER NEWS!

• DECEMBER 2004 •

• '*TAPs*' - Term Allocated Pensions •

Beginning on 20 September 2004, a new form of income stream was developed to assist people funding for retirement.

What is a TAP?

Term Allocated Pensions are an account-based income stream similar in structure to allocated pensions. Being account-based, they will allow clients to maintain investment control while also being 50% exempt for Social Security assets test and treated as a complying pension for Reasonable Benefit Limits (RBL). TAPs can be purchased either through Life Offices, Financial Institutions or within your own self managed superannuation fund.

Who will they benefit?

- Clients wishing to claim Centrelink entitlements, such as the Age Pension, ie. only 50% of the TAP in counted towards the assets test;
- Clients who have exceeded their lump sum RBL and wish to target their pension RBL
- Clients who want to commence a complying pension before the age of 65; as traditional life expectancy pensions can only commence after the age of 65, or age pension age.

One of the disadvantages of TAPs is the lower level of income in the earlier years relative to the higher level of income in the later years. Unlike allocated pensions, TAPs are designed to run out at a set period with income payments increasing each year.

How is the term calculated?

The term of a Term Allocated Pension is based on the investor's life expectancy at commencement rounded up to the nearest whole number, with some additional flexibility to choose a longer term, as follows:

- The investor can also choose a term equal to their life expectancy as if they were up to 5 years younger
- If they choose a reversionary beneficiary for the pension, and the reversionary's life expectancy is longer, the investor can also choose a term between the reversionary's life expectancy and their life expectancy as if they were 5 years younger.

How are payments calculated?

The first year's annual income payable for a Term Allocated Pension is calculated by dividing the account balance at commencement by the payment factor which corresponds to the term of the pension at commencement. If the pension is commenced on a day other than 1 July, a pro-rata payment will apply in the first year. In addition, a 1 June rule also applies, so that for a Term Allocated Pension commenced between 1 June and 30 June no payment needs to be made in that first year.

On each 1 July subsequently, the annual income is recalculated by dividing the account balance at that date by the pension factor corresponding to the term the pension still has to run.

Taxation

Term Allocated Pensions are subject to the same tax treatment as an Allocated Pension. However, rather than using the life expectancy in calculating the deductible amount, the term of the TAP is used.

Social Security

As Term Allocated Pensions are complying for social security purposes only 50% of the opening account balance is included in the assets test initially. Centrelink will then reassess the account balance at regular intervals.

Like the deductible amount for tax purposes the deductible amount for social security purposes is based on the term of the pension, rather than the life expectancy of the member.

Also in this issue...

New employment-related concepts apply from 1 July 2004 for members aged between 65 and 75 as on that date.

- 'Part-time equivalent level' at least 240 hours during previous financial year:
- On a 'part-time basis during a financial year' at least 40 hours in a period of not more than 30 consecutive days in that financial year.

Changes in Contribution Rules

Removal of Work test for contributions under age 65

The work test rules for the making of contributions for anyone under the age of 65 have been removed.

Contributions are now able to be made for all persons under the age of 65.

As a result, there is no longer a need to rely on the previous exceptions to the work test rules (eg. eligible spouse contributions, child contributions and contributions for people on authorised leave). The amendments commenced on 1 July 2004.

Contributions age 65 to 74

Under the new contribution rules, a fund may accept contributions in respect of a member aged 65 to 69 years if the member is gainfully employed on at least a 'part time basis during the financial year' in which the contribution is made or the contribution is a mandated contribution.

For members aged 70 to 74 years, a fund may only accept contributions made by the member for their own benefit if the member is gainfully employed on at least a 'part time basis during the financial year' in which the contribution is made or, the contribution is a mandated contribution.

An individual will be gainfully employed on a 'part time basis during a financial year' where they have worked at least 40 hours in a period of not more than 30 consecutive days in that financial year.

Contributions age 75 and over

For members aged 75 and over, a fund may only accept contributions if the contribution is a mandated contribution.

Changes in Compulsory Cashing Rules

The amendments endeavour to simplify the compulsory cashing rules for individuals aged 65 to 74. An individual will only be required to have been gainfully employed on a 'part time equivalent level' in order to prevent the member's benefit from being compulsorily cashed out from their superannuation account.
The definition of 'part time equivalent level' requires that an individual has been gainfully employed for at least 240 hours during the previous financial year.

Once the member reaches age 75, except for post 75 mandated employer contributions, the benefit must be paid.

In the case of mandated employer contributions for those aged 65 to 74, where the work criteria set out above are not met, they must be cashed once the employment resulting in the mandated employment contributions ceases. In the case of 75 and over they must be cashed once the employment resulting in the mandated employment contributions ceases.

The rules also require the compulsory cashing of a member's benefits where the member dies.

There is also a grandfathering rule which allows a member who has reached age 75 on 30 June 2004 and has been gainfully employed for at least 30 hours per week since 1 July 2004 to retain their money in superannuation phase.

The compulsory cashing amendments commenced on 1 July 2004.

Trust Deed Update

It is important to note that the above rules can only be used if your superannuation fund's Trust Deed allows for them. We are able to update your deed for these changes.

All of us at Bastion would like to of wish you and your family a Merry Christmas and a safe and happy New Year!

'Dependant' Definition Extended

The 'dependant' definition in the Superannuation Industry (Supervision) Act 1993 and the Income Tax Assessment Act for payment of death benefits from a fund has been widened to include people who had an "interdependency relationship" with the deceased member. This could include same sex couples, and adults living with and caring for an elderly parent. It will not extend to people who are just sharing accommodation with no other relevant factors present.

Your Trust Deed's definitions will need to be reviewed and updated should you wish to use this extended definition, as ultimately it is the definition in the deed which determines the available death benefit payment methods.

Super Surcharge Further Reduced

The maximum rate has been reduced to 12.5% for the year ending 30 June 2004 and 10% thereafter.

More Co-contributions to be Received

The government contribution is to increase to 150% from 1 July 2004. Maximum contribution is $1500. Maximum income for the year ending 30 June 2005 at which the full benefit can be utilised is $28,000, with a reducing contribution until an income of $58,000.

Income is defined as assessable income plus reportable fringe benefits.

Preservation of Employer ETPS

The Superannuation Regulations now require the preservation of employer eligible termination payments (ETPs) rolled over into the superannuation system from 1 July 2004.

Only employer ETPs that were received by a superannuation fund before 1 July 2004 can regarded as 'unrestricted non-preserved benefits (which may be withdrawn from the superannuation system at any time).

Introducing...

Anderssen Lawyers

Bastion has recently established a relationship with Anderssen Lawyers. They will be responsible for ensuring our Trust Deed, provided to clients at date of fund establishment, is current for any legislative changes. We are confident our Trust Deed service will be enhanced with their involvement.

Anderssen Lawyers is a highly specialised Commercial law firm. They are a united dedicated team, focused on successfully achieving results for a select group of clients. They provide specialist advice and assist clients to implement quality business solutions. Some of their areas of practice are:

- Superannuation
- Corporate and business structures
- Succession planning and strategies
- Asset protection
- Taxation and other Revenue issues

Should you wish to discuss any matters with them, we would be pleased to introduce them to you.
Please contact Michelle Klinge of our office.