



Member Update.

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A message from the Trustee

Dear member

Welcome to the 2013 Member Update. I hope you enjoy reading it and find it valuable.

TRANSFORMATION OF THE AUSTRALIAN SUPERANNUATION SYSTEM

We have implemented the Government's Stronger Super reforms, which are making our superannuation system stronger and more efficient by aiming to reduce costs, decrease transaction processing times and help increase members' retirement savings. TAL supports reforms that protect your interests.

The reforms are also changing the way your superannuation works. Two key changes are the introduction of MySuper to replace existing default superannuation products and new rules about the contributions that can be made to your superannuation account. We have provided a summary of these and other key changes in this update and will continue to keep you informed of any material changes to your superannuation.

FINANCIAL MARKET

While high levels of market volatility continued during 2013 due to significant global events, there has been solid share market returns. You can read a report from the investment manager, Russell Investments, for more information on market activity and outlook.

OUR COMMITMENT TO THE AUSTRALIAN COMMUNITY

Our entire reason for being is to help people enjoy bright futures. Understanding money and personal finance – including the need to protect what you have built up in life and the future you plan for – is essential.

TAL's sponsorship and community partnership program, *A Gift for Life*, enables us to use the expertise and passion of our people, as well as our financial strength, to make a meaningful and real contribution to the Australian community. As a proud sponsor of MoneySmart Week, we aim to help our customers and their families take simple steps to improve their financial wellbeing, meaning they can better protect the things they love and value, now and into the future.

Thank you for investing with us.

Yours sincerely

Jim Minto

Chairman

TAL Superannuation Limited



Market update

As we move towards the end of 2013, we look back on what has been an eventful year in markets globally.

Following last year's double digit share market rally, 2013 has been a year of solid share market returns while bond market returns have been much more modest. Further, market fluctuations (volatility) continued to be a regular feature, often triggered by significant global events.

We started the year with the threatened US 'Fiscal Cliff' being avoided, followed by the bail-out of Cyprus, the tragedy of war in Syria and uncertainty about the strength of Chinese economic growth. By mid-year, speculation about when the US Federal Reserve would wind down its bond-buying program ('tapering') was causing markets to be nervous about bond yields potentially rising sooner and further than previously expected. Then, yet further uncertainty emerged surrounding the partial US Government shutdown and the continued debt ceiling debate.

Domestically, local cash rates fell to all-time lows, and the Australian dollar fell sharply, coming off a four year high, but remaining at valuation extremes.

Looking forward to 2014, we expect a 'lower return, higher volatility' environment, see overleaf for more details.

Source: Russell Investments, October 2013



ARC MASTER TRUST WEBSITE

On the ARC website www.arcmt.com.au you can:

View your personal superannuation account details:

- Account balance
- Investment strategy
- Insurance cover
- Transactions.

View other information:

- Up-to-date investment information including unit prices, performance figures and actual asset allocations
- Superannuation news
- Superannuation education articles
- Forms and disclosure documents.

To activate your online login, visit the website: www.arcmt.com.au and follow the prompts. You will need your unique User ID, if you don't have your User ID, please contact us.

About the Member Update

The 2013 Member Update contains important information and should be read together with the enclosed Statement and the TAL Superannuation and Insurance Fund Annual Report which is located online at www.arcmt.com.au

Achieving investor goals

Adapting to a 'lower return, higher volatility' environment

Insights from the investment manager, Russell Investments

By Graham Harman, Senior Investment Strategist, Asia Pacific, Russell Investments



It's a popular belief as we near the end of 2013 that financial markets are in a 'lower return, higher volatility environment', with uncertainties surrounding global economic and policy outlooks creating ongoing market disturbances.

ARE WE IN A 'LOWER RETURN, HIGHER VOLATILITY ENVIRONMENT'?

It is important to note the difference between perceptions of a lower return environment, on the one hand, and current experience of market returns, on the other. For example, the annual industry-wide rate of return for superannuation funds¹ for the year to 30 June 2013 was 13.9%. Furthermore, concerns about a 'new normal' of permanently low GDP growth, in the wake of the global financial crisis, are perhaps overdone. Historically, periods of significant excess capacity have been precursors to periods of higher – rather than lower – economic growth.

However, there are multiple valid reasons why investors believe they are in a lower return, higher volatility environment that constitutes a 'new normal'. Central banks, particularly the US Federal Reserve, have been successful in driving real interest rates to historic lows. Western economies are heavily indebted and facing low growth rates. Taking a longer term perspective, a very benign thirty-year period of falling inflation has now likely run its course. This implies that sustained double-digit returns from both shares and bonds are less likely in the future.

ADAPTING TO A 'LOWER RETURN, HIGHER VOLATILITY ENVIRONMENT'

Firstly, a lower return environment can easily tempt some investors to take short term decisions in a desperate bid to boost returns. A string of failed mortgage-based schemes over the years bears testimony to the risks involved. It's particularly important to ensure that investors maintain a diversified investment strategy in a low-return environment.

Secondly, investors can pursue a range of options to adapt to the new environment, and to optimise return outcomes without compromising risk disciplines. These include:

- Income oriented investment approaches.
- Greater reliance on more 'active' rather than 'passive' return sources. Two percentage points of active value-add is, proportionately, much more impactful in a lower return environment.
- Pursuing alternative strategies and sectors outside of traditional government bonds to enhance returns and diversification in bond portfolios.

We recommend that you speak with your financial adviser before making any changes to your investment strategy.

WHAT HAPPENS NEXT?

The broad macro-economic picture for 2014 remains reasonably positive, with signs of broadening and accelerating economic growth worldwide.

However, there are risks that the market turbulence of mid-2013 may re-appear as global economies transition from a period of aggressive unprecedented monetary stimulus, and return to more 'normal' conditions. At Russell, we seek to achieve investor goals in such an environment by staying diversified, employing 'best of breed' managers and strategies, and actively adapting portfolios to new market opportunities as they emerge.

1. Rate of return published by APRA for quarterly reporting superannuation funds.

An update on Stronger Super

The Stronger Super reforms are designed to improve Australia's superannuation system by removing unnecessary costs, and maximising – through better safeguarding – the retirement savings of all Australians.

SUPERSTREAM

SuperStream is a package of measures designed to modernise our superannuation processes, including the increased use of technology and uniform data standards. It will primarily use tax file numbers to identify people and enables automatic processing of superannuation transactions. By the time it is fully implemented, at the end of 2015, superannuation funds, employers and members will have a more efficient and easier to use superannuation system.

The current phases have delivered electronic messaging and payment processing for receiving and sending rollovers. The next phase looks at improving data quality and automation of contribution processing.

MYSUPER

The Government has introduced a low cost default superannuation product called MySuper, which aims to simplify default superannuation products and improve their comparability and transparency.

From 1 January 2014, all employers must use a MySuper product as their default superannuation fund where an employee has not nominated an alternative superannuation fund and has not made an active investment selection.

TAL is not offering a MySuper product given our primary focus on life insurance and choice superannuation.

In order to continue receiving employer and personal contributions into ARC beyond 1 January 2014, you must:

- Nominate ARC as your chosen fund under Choice of Fund legislation; and
- Make an Investment Election (an Investment Election is a written notification to the Trustee confirming how you want your future contributions to be invested).

As ARC is not a MySuper product, the Trustee will **reject and return** contributions for members who have not made an Investment Election as per the following table.



Acceptance of contributions from 1 January 2014

Type of contribution	Cut-off date	Comments
Rollover (including KiwiSaver and Family Law payments)	N/A	Rollovers will continue to be accepted regardless of whether the member has made an Investment Election or not.
Employer Superannuation Guarantee (SG) or Award	28/01/2014	Contributions that relate to employment prior to 1 January 2014 will be accepted up to the cut-off date. Contributions will not be accepted after the cut-off date unless the member has made an Investment Election.
Salary Sacrifice	28/01/2014	Contributions that relate to employment prior to 1 January 2014 will be accepted up to the cut-off date. Contributions will not be accepted after the cut-off date unless the member has made an Investment Election.
Voluntary employer contributions	28/01/2014	Contributions that relate to employment prior to 1 January 2014 will be accepted up to the cut-off date. Contributions will not be accepted after the cut-off date unless the member has made an Investment Election.
Personal (after tax) contributions	28/01/2014	Personal contributions will not be accepted after the cut-off date unless the member has made an Investment Election.
Spouse contributions	28/01/2014	Personal contributions will not be accepted after the cut-off date unless the member has made an Investment Election.
First Home Saver member contribution	28/01/2014	Personal contributions will not be accepted after the cut-off date unless the member has made an Investment Election.
First Home Saver Government contribution	30/06/2014	Government contributions relating to contributions made between 1 July 2012 and 30 June 2013 will be accepted up to the cut-off date. Government contributions will not be accepted after the cut-off date unless the member has made an Investment Election.
Government co-contribution	30/06/2014	Co-contribution relating to contributions made between 1 July 2012 and 30 June 2013 will be accepted up to the cut-off date. Co-contributions will not be accepted after the cut-off date unless the member has made an Investment Election.
Low Income Super Contributions (LISC)	30/06/2014	LISC relating to contributions made between 1 July 2012 and 30 June 2013 will be accepted up to the cut-off date. LISC will not be accepted after the cut-off date unless the member has made an Investment Election.

GOVERNANCE

The TAL Superannuation and Insurance Fund Annual Report which is located online at www.arcmt.com.au contains an overview of the Fund's governance arrangements.

Changes to superannuation in 2013

On 14 May 2013, the Federal Government delivered its budget for 2013–2014. No major superannuation announcements were made, apart from confirming the following previously announced initiatives.

INCREASE IN YOUR CONTRIBUTIONS

From 1 July 2013, the Superannuation Guarantee (SG) rate increased to 9.25% (from 9%). This rate is expected to progressively increase over the next 7 years to reach 12% on 1 July 2019.

SG CONTRIBUTIONS UPPER AGE LIMIT REMOVED

From 1 July 2013, the 70 year age threshold was abolished. So, if you're 70 years of age or over and still employed, you will continue receiving SG contributions as long as you are eligible.

For more information about the SG contributions eligibility, check the Australian Taxation Office (ATO) website: www.ato.gov.au

INCREASE OF CONCESSIONAL CONTRIBUTIONS TAX FOR HIGH EARNERS

Tax on concessional contributions such as SG and Salary Sacrifice was increased from 15% to 30% for individuals who earn more than \$300,000 a year. This increase applies to contributions made after 1 July 2012.

LOW INCOME SUPER CONTRIBUTIONS

From 1 July 2013, for SG contributions made between 1 July 2012 and 30 June 2013.

If you earn less than \$37,000 a year and you're eligible for SG contributions, an amount of up to \$500 will be paid into your superannuation fund by the Government, effectively remitting in full the contributions tax paid by your fund on your contributions. This contribution will be paid directly into your superannuation account once you complete your tax return for the 2012–2013 financial year.



YEARLY CONTRIBUTION CAPS

There are limits, known as caps, on how much you or your employer can contribute to your superannuation account. These caps apply to concessional and non-concessional contributions and may change every financial year.

Concessional contributions include SG, Salary Sacrifice and personal contributions claimed as a tax deduction if you're self-employed.

Income Year	Amount of General Cap	Cap for those aged 60 years or over on 30 June 2013	Cap for those aged 50 years or over on 30 June 2014
2013–2014	\$25,000	\$35,000	\$25,000
2014–2015		\$35,000	\$35,000

Non-concessional contributions are contributions for which you didn't claim a tax deduction. They include personal after-tax contributions, spouse contributions and personal contributions for which you didn't claim a tax deduction if you're self-employed. The non-concessional contributions cap for the 2013–2014 financial year is \$150,000 regardless of your age.

WITHDRAWAL OF EXCESS CONTRIBUTIONS

From 1 July 2013, people who exceed their concessional contributions cap by any amount will be allowed to withdraw the excess contributions and have them taxed at their marginal tax rate plus an interest charge.

INCREASE TO MEDICARE LEVY

From 1 July 2014, the Medicare Levy will increase from 1.5% to 2% to fund DisabilityCare Australia. This will increase the tax rates applicable to some super-related amounts that include the Medicare Levy.

MEMBER PROTECTION REBATE

From 1 July 2013, superannuation funds no longer need to have a member protection rebate in place. The rebate applies for accounts with a closing balance of less than \$1,000 containing Award or SG contributions. TAL currently rebates the amount of any administration fees charged in excess of the investment earnings applied to these accounts. While the rebate will continue to apply for the 2013–2014 financial year, TAL is considering whether to continue with the rebate in future financial years. We will update you on any change.

TRANS-TASMAN RETIREMENT FUND PORTABILITY

From 1 July 2013, New Zealand citizens living in Australia and Australian citizens living in New Zealand are able to transfer their retirement savings between certain APRA-regulated superannuation funds, including the TAL Superannuation and Insurance Fund, and New Zealand's KiwiSaver schemes. Details of any KiwiSaver transfer you had during the year will appear on your Annual Statement. For more information about fund portability, check the ATO website.

We strongly recommend you speak to a financial adviser when making decisions about your superannuation. If you don't already have a financial adviser, contact us and we'll put you in touch with one.

Superannuation strategies

According to the June 2013 quarter Association of Superannuation Funds of Australia (ASFA) Retirement Standard Benchmark, a retired couple needs \$56,406 a year to live comfortably, or \$41,169 for an individual. With improved health services and longer life expectancy for Australians, it's important to maximise your superannuation so you can better enjoy your golden years.

STRATEGIES TO MAXIMISE YOUR RETIREMENT SAVINGS

Salary Sacrifice involves contributing an amount of your pre-tax income to your superannuation fund. It reduces your assessable income for taxation purposes and helps maximise your superannuation savings. Depending on your yearly income, there may be limits on how much of your salary you can sacrifice. Also, concessional contributions made after 1 July 2012 will incur a contributions tax rate of 30% for individuals who earn more than \$300,000 a year. Talk to your employer or your financial adviser to find out more.

The **Government co-contribution** is another way to boost your retirement savings, provided you're eligible to receive it. If you make personal after-tax contributions to your superannuation fund and comply with other criteria, the Australian Government will match your contribution and forward a payment to your superannuation fund. The co-contribution income thresholds and rate change every year and are usually announced in the annual Federal Budget. For personal after-tax contributions made in the 2012–2013 financial year, the Government will co-contribute 50 cents for every dollar you contribute, up to a maximum of \$500. The upper income threshold under which you qualify for the co-contribution is \$46,920.

Consolidating your superannuation into one superannuation account makes it easier to manage and saves on multiple account keeping fees. As you may have several superannuation accounts you are not aware of, we encourage you to visit www.ato.gov.au and search for 'Superseeker' to find these accounts. Once found, we can help you to consolidate them into your TAL superannuation account.

Simply complete a **Transfer Authority** form for each superannuation account you wish to consolidate and send it back to us. We'll then manage the rollover process for you and confirm in writing once your other superannuation money is received. The form is available online at www.arcmt.com.au or www.tal.com.au or by calling us on 1300 209 088.



TALK TO THE EXPERTS

It's important you speak to your financial adviser before you make any decisions relating to your superannuation. If you don't already have a financial adviser, contact us and we'll put you in touch with one.

You can also visit ASFA's Super Guru website (www.superguru.com.au) which features:

- Valuable information about the laws and rules governing superannuation
- Interesting news articles on superannuation and related topics
- Calculators and tools to help you maximise your superannuation account; and
- Tips and advice on maintaining and managing your superannuation.

Safeguarding your superannuation

DO YOU KNOW WHERE YOUR SUPERANNUATION WILL GO?

Superannuation death benefits do not form part of your Estate. Under superannuation law and the Trust Deed for the TAL Superannuation and Insurance Fund, the Trustee may have the final say in the payment of your death benefit. If this is the case, the Trustee is required to pay your death benefits to your dependants (which can be your spouse, children or any financial dependants) and/or your legal personal representative in amounts determined at its discretion.

That's why it's important to have an up-to-date beneficiary nomination, which provides guidance to the Trustee about your intentions. Your annual statement will show if you have a beneficiary nomination, or not. Please contact us as soon as possible to nominate or update your beneficiary details.

It's also very important to have an up-to-date Will, just in case the Trustee decides to pay your death benefit to your Estate. This may happen if you have no dependants at the time of death.

STEPS TO HELP YOU PROTECT YOUR SUPERANNUATION

It's worth watching your superannuation account to ensure you get what you're entitled to. Here are a few things you can easily do to make sure your retirement savings continue to accumulate steadily and safely.

- Monitor the contributions your employer is paying on your behalf. You can find out how much and how often your employer is paying into your superannuation account by asking them. Alternatively, this information may be displayed on your payslip. Check your contributions against your annual member statement (from your superannuation fund).
- Read your annual member statement and your fund's Annual Report. The member statement will show how much superannuation your employer has contributed on your behalf in the last reporting period. Amongst other things, the fund's Annual Report gives you the chance to have a look at your fund's investment strategy.
- Always protect your member statements, as superannuation records can be used to commit identity theft and fraud. And, beware of scams; there are restrictions on when you can access your superannuation.

You can only access your superannuation savings as soon as you reach your 'preservation age' and are permanently retired; reach preservation age and are eligible for a transition to retirement pension; or turn 65. However, you may be able to legally access your superannuation before retirement under very specific circumstances. Please refer to the ATO website for information on the conditions of release of your superannuation before retirement.

► For more information about superannuation death benefits, please refer to our articles 'Superannuation Death Benefits at TAL' and 'Estate Planning', available at www.tal.com.au

News from TAL

HOW MONEYSMART ARE YOU?

This year, TAL was a proud sponsor of the MoneySmart week event (1 – 7 September), which aims to help Australians get a better understanding of their own financial circumstances – and, to equip them to work more effectively toward their financial goals.

TAL encourages you to do the quick and easy 'money health check' at moneysmartweek.org.au to help you take stock of your finances and learn what you can do to improve them.

TAL's silver sponsorship reflects our long-term commitment to supporting Australians' financial literacy and wellbeing.

LIFE COMPANY OF THE YEAR

TAL has recently been named 'Life Company of the Year 2013' at both AFR Smart Investor Blue Ribbon Awards, and the Australian Banking and Finance Awards.



Images from NSW State Library's TAL & Dai-ichi Life Derby Collection. The collection is the cornerstone of TAL's A Gift for Life sponsorship and community partnership program.

Contact us

If you have any questions about this Member Update, please contact us:



Customer Service on 1300 209 088, Monday to Friday, 8:30am – 5:30pm (AEST/AEDT)



customerservice@tal.com.au



www.arcmt.com.au

Privacy: More information on how TAL collects, uses and discloses your information is contained in our privacy policy available at www.tal.com.au/Privacy-Policy or on request. The Office of the Australian Information Commissioner (www.oaic.gov.au) has useful information about the privacy rights of individuals and steps to protect online privacy.

Disclaimer: The information contained in this Member Update is general information only. It does not take into account your individual objectives, financial situation or needs. As a result, we recommend that you consult your financial adviser for specific advice before acting upon the information provided. For general information, contact TAL on 1300 209 088.

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