Member Update
January 2017

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TASL

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A message from the Trustee

Dear Member

Welcome to the 2016 Member Update. It has been another eventful financial year. In this update, read about:

What you need to know about volatile markets

The markets have been volatile and unpredictable for a few years. Russell Investments provide helpful tips on coping with the market volatility.

You can read their interesting article on page 2.

Financial markets

Like every year, Russell Investments update us on the performance of the global financial markets.

Fresh geopolitical concerns, 'Brexit', oil prices and the slowly improving American economy have affected the global and local markets. The market update can be found on page 4.

Superannuation and budget updates

In the 2016-2017 Budget and in subsequent announcements, the Australian government proposed important changes to tax and superannuation. The changes include a tax rate change and a reduction of the concessional and non-concessional contribution caps. These changes have now been enacted. More details can be found on page 6.

Facts and figures

Did you know that 43% of superannuation account holders have more than one account?

Or that TAL paid over $1 billion in claims in 2015? For more interesting facts and figures, go to page 11.

Educate yourself

Financial education is essential to help you plan for a secure and comfortable retirement. On page 12, we list details of different sources of financial information.

Thank you for trusting us with your retirement savings.

Yours sincerely

Peter Lewinsky
Chairman
TAL Superannuation Limited

Brett Clark
Group CEO and Managing Director
TAL

Worried about market volatility? Here's what you need to know

Russell Investments

It's normal to feel rattled

Fear and worry are natural reactions when markets are rising one day and falling the next.

Investment markets are driven by emotion. Negative or 'bearish' headlines erode investor confidence, which in turn reinforces selling pressure and generates more bad news. Even the most seasoned investors get rattled by volatile conditions and can make knee-jerk decisions when their investments aren't performing.

> "Even the most seasoned investors get rattled by volatile conditions and can make knee-jerk decisions when their investments aren't performing"

Investing requires a trade-off between risk and return. To grow the value of our investments over time, we generally need to adopt a strategy that is riskier than we'd prefer - which is why we react so strongly to seeing the value of our savings rising and falling day to day and week to week.

'Cashing out' is a risky move

Volatile investment market conditions trigger one of our most protective instincts – we can't fight the performance of investments, so we often adopt a flight strategy by switching our investment strategy to a less aggressive one.

But switching to a less aggressive investment strategy (e.g. bonds and cash) during periods of volatility is rarely in investors' best interests, and it may actually see you worse off at retirement.

Yes, switching to a lower-risk investment strategy can protect your savings from future investment losses. But it's also likely to cause you to lock in any losses up to that point. It's unlikely that you'll be able to pick the right time to switch back to a higher-risk strategy when conditions go back to normal.

If you 'cash out' when markets are down, you are choosing to 'sell low' - the opposite of the common goal of investors to 'buy low and sell high'.

Russell Investments' expertise

Diversification plays a key role in minimising the impacts of volatility, by spreading investments across a wide range of asset classes and investment managers across many different countries.

Russell Investments' international team of investment strategists and portfolio managers constantly monitor and assess investment markets, economic data and investor sentiment across each of the regions they invest your money in. This global reach helps Russell Investments to adjust and optimise the underlying investment managers and assets within each of their portfolios, to ensure new opportunities that help achieve portfolio outcomes are captured and emerging risks are avoided.

Review your investment strategy

If you haven't reviewed your investment strategy recently, now is a great time to do it. An investment strategy based on your long-term investment goals will help you avoid the buy-high, sell-low trap that sees most investors invest at the point of maximum risk, and shy away at the point of maximum opportunity.

> "If you 'cash out' when markets are down, you are choosing to 'sell low'"

It's important you speak to your financial adviser before you make any investment strategy decision.

Market update (year to 30 September 2016)

Russell Investments

Overview

Financial markets began the year positively with stocks rising in the wake of the US Federal Reserve (Fed)'s decision to raise interest rates, some encouraging US and European earnings results and news of further stimulus in China. Offsetting some of these early gains were sharp declines in commodity prices and fresh geopolitical concerns.

Sentiment soured somewhat in the early part of the New Year following some less-than-encouraging developments in China, weaker oil prices and escalating geopolitical tensions. Stocks were also hampered by some softer US economic data, doubts about central banks' ability to support global growth and uncertainty over the health of the global financial sector.

Stocks were able to recoup much of these losses in March as valuations began to look a little more attractive, oil prices rebounded and Fed chair Janet Yellen reiterated its promise that any future rate hikes will be gradual.

The positive momentum we saw in March continued through April and May, with stocks benefiting from a stabilisation in Chinese economic data, a broad rally in commodity prices and stronger euro-zone growth. However, the mood turned more cautious in June as market volatility spiked amid uncertainty surrounding the Brexit vote.

Markets ended the year on a positive note with stocks rising strongly on the back of expectations Britain's decision to exit the EU will have little impact on the global economy, further evidence that China's economy is stabilising and further encouraging US and European earnings results.

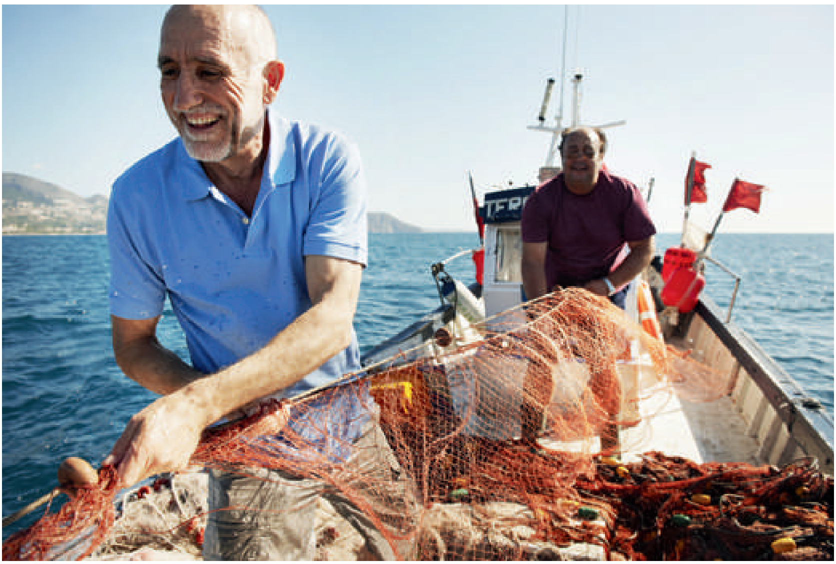
Stocks also benefited from additional central bank stimulus in the UK and Japan. However, these late gains were limited by weaker commodity prices and ongoing geopolitical uncertainty. Stocks were also negatively impacted by renewed concerns about European financials after Deutsche Bank fell to a record low amid speculation it will need to raise capital.

Where to from here?

Global divergence remains a key theme and will likely drive further market volatility over the coming months.

Looking at the different regions, we think the worst of the US corporate profits downturn may now have passed; In contrast, the potential negative impact of Brexit on Europe and the UK is still yet to be fully determined. Meanwhile, Japan's 'safe haven' status is putting upward pressure on the yen and downward pressure on the country's business cycle. However, we believe these trends are offset by improving valuations.

Finally, we're still cautious on the outlook for emerging markets. Whilst monetary policy remains accommodative and recent economic indicators are improving, the potential for a Fed rate hike in 2016 is putting some upward pressure on the USD, which is a headwind for the emerging markets story. A recent absence of downward pressure on commodity prices may be supportive of emerging markets in the near term.



Budget and superannuation updates

In the 2016-2017 Budget, the Australian government proposed important changes to tax and superannuation. These changes have been enacted. We suggest you speak to your financial adviser or a tax professional before making any changes to your superannuation.

Tax rate change

From 1 July 2016, the threshold at which the 37% tax rate applies increased from $80,000 to $87,000. This reduces the tax rate applicable to taxable incomes between $80,000 and $87,000 from 37% to 32.5% (excluding the Medicare levy).

Cap on pension account balances that can earn tax-exempt investment income

From 1 July 2017, the total amount an individual can transfer from a superannuation accumulation account to a pension phase account will be capped at $1.6 million. This cap will also apply to the account balances of existing members in pension phase. Amounts in excess of $1.6 million, may remain in, or be transferred to, an accumulation phase account (where earnings will be taxed at the concessional rate of 15 per cent). They may also be paid out of the fund. Exceeding the cap will mean that notional earnings are calculated on the excess in the pension phase account, up until the time that the excess is removed and the member will be assessed for excess transfer balance tax. Members with existing pension account balances which exceed the $1.6 million cap by less than $100,000 will have 6 months from 1 July 2017 to transfer the excess to an accumulation phase account or withdraw it from the fund without giving rise to the excess transfer balance tax. The transfer balance cap will be indexed annually and will grow in line with the CPI.

Non-concessional contributions

From 1 July 2017, the annual non-concessional contributions cap will be lowered from $180,000 to $100,000. Individuals will continue to be able to make non-concessional contributions for up to three years under the 'bring forward rule' (capped at $300,000). However there will be a new requirement such that individuals with total superannuation balances of $1.6 million or more will no longer be eligible to make non-concessional contributions and individuals with total superannuation balances over $1.4 million will have reduced access to the 'bring forward rule'. This measure was announced in September 2016 and replaces the $500,000 lifetime non-concessional contributions cap for Australians under the age of 75 that was announced in the 2016-2017 Budget.

Under the transitional arrangements, if the previous non-concessional contributions cap under the 'bring forward rule' has not been fully utilised before 1 July 2017, the remaining bring forward amount will be reassessed on 1 July 2017 to reflect the new annual cap.

Concessional contributions

From 1 July 2017, the annual concessional contributions cap will be lowered to $25,000 for all individuals. Currently, the cap is $30,000 per year for individuals under the age of 50, and $35,000 per year for those aged 50 and over. Additionally, from 1 July 2017, the threshold at which the 30 per cent rate of tax applies to an individual's taxable concessional contributions will be reduced from $300,000 to $250,000. From 1 July 2018, individuals with superannuation account balances under $500,000 will be allowed to rollover their unused concessional contributions cap space for up to 5 years and make additional, "catch-up", concessional contributions.

Personal superannuation contributions

From 1 July 2017, the Government will remove the restriction on income tax deductions for personal superannuation contributions. The rules will be changed to allow all individuals under age 75 (including those aged between 65 and 74 who meet the work test) to claim income tax deductions for personal contributions to an eligible superannuation fund (subject to meeting administrative requirements). Such contributions will be subject to the concessional contributions cap previously discussed.

The work test

The Government will not proceed with the harmonisation of contribution rules for individuals aged 65 to 74. This means that the work test still applies to individuals aged 65 to 74 who want to make voluntary, personal contributions to superannuation.

Spouse superannuation tax offset: eligibility expanded

From 1 July 2017, access to the low income spouse superannuation tax offset will be expanded by increasing the income threshold for the low income spouse to $37,000 for the maximum offset of $540, instead of the current $10,800. The offset will gradually reduce for incomes between $37,000 and $40,000 where it will phase out. The spouse receiving the contribution must be under age 70 and meet a work test if they are aged 65 to 69.

Low income superannuation tax offset

From 1 July 2017, the Low Income Superannuation Contribution (LISC) will be replaced by the Low Income Superannuation Tax Offset (LISTO). The LISTO effectively refunds into the individuals' account the tax paid on concessional contributions for individuals with a taxable income of up to $37,000, up to a cap of $500.

No change to the Superannuation Guarantee rate

There is no change to the Superannuation Guarantee (SG) rate. It will remain at 9.5% for the 2016/2017 financial year, increasing to 10% from July 2021, and eventually increasing to 12% from July 2025.

Government co-contribution income threshold changes

The co-contribution is an incentive by the Australian government to encourage Australians to contribute more to their superannuation accounts.

If you make a personal after-tax contribution to your superannuation account, have not exceeded the non-concessional contribution cap and you are eligible, the government will co-contribute a certain amount into this account in the following financial year.

The amount of government co-contribution you can receive depends on how much you contribute and your income. The maximum amount of co-contribution and income thresholds for the 2016-2017 financial year are:

Maximum co-contribution	Lower Income Threshold	Higher income threshold
$500	$36,021	$51,021

More information about the co-contribution including eligibility criteria can be found here.

TAL News

Welcome to This Australian Life

In July this year TAL launched its brand to the Australian public through a national advertising campaign, This Australian Life.

This is an exciting time for our partners and our members who know the TAL name, but don't really know who TAL is or what it stands for. The campaign not only raises awareness of the TAL brand, but also marks the beginning of a new conversation with Australians around the importance of life insurance.

While the series of television ads formed the backbone of the campaign, TAL is also advertised in stadiums, outdoor billboards and online.

You can view the full brand film here.

ARC News

MySuper

As part of the MySuper legislation, where the member has not made an active investment choice, superannuation funds have to transfer a member's superannuation account, to a MySuper product by 1 July 2017. ARC Master Trust is not a MySuper product.

On 11 November 2016, we wrote to ARC Corporate (including IT Super) and ARC Personal members who have not made an active investment choice to advise them of the transfer of their ARC benefits to IOOF's MySuper product. These members would need to make an investment choice by 13 January 2017 if they want to remain in the TAL Superannuation and Insurance Fund. Their benefits will be transferred to IOOF in the week commencing 13 February 2017.

The ARC website and Member Portal

The ARC Member Portal lets you manage your ARC superannuation account online with self-service functions including:

- Updating beneficiary and direct debit details
- Updating of contact information and investment switches; and
- Calculating current and previous account balances

To access your ARC account online, click on the LOGIN link in the top right hand corner of the ARC Super homepage and follow the prompts.

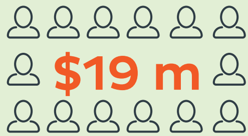
The ARC website also features:

- Important information on the different investment options offered to members
- Forms and service documents
- Disclosure documents and annual reports; and
- Superannuation news.

Facts and figures

$2.1 trillion is the total superannuation assets Australians hold (as at 30 September 2016), a 7.4 per cent increase on those held at 30 September 2015.
$65.7 billion is the total of superannuation benefit payments made in the year ending September 2016. **$103.1 billion** is the total amount of contributions made to superannuation funds in the year ending September 2016.
Australian Prudential Regulation Authority (APRA) Quarterly Superannuation Performance September 2016 (issued 22 November 2016).

Over $1 billion is the total claim benefits TAL paid to customers in the 2015 calendar year. This equates to paying an average of **$19 million** each week. Claims were paid for the following four cover types: Life Insurance, Income Protection, Total and Permanent Disability and Critical Illness Insurance.



According to 'Super accounts data overview' published on the Australian Taxation Office's (ATO) website, as at 30 June 2016, over 14.8 million Australians have a superannuation account. Approximately 43% of these people have more than one account.
There were more than **5.7 million** lost and ATO-held accounts with a total value of just over **$14 billion**. To find out if any of these accounts belong to you, create a myGov account and link to the ATO. More interesting superannuation statistics can be found here. (Source: https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Super-statistics/Super-accounts-data/Super-accounts-data-overview/).

ASFA's Retirement Standard for the September 2016 Quarter considers **$43,372** per year is how much you need if you're around age 65, single and wish to lead a comfortable lifestyle during your retirement.
A couple aged around 65 needs **$59,619** per year. Speak to your financial adviser today and start planning for a financially comfortable retirement. More information is available on the ASFA website.

Self-employed Australians (about **10% of the Australian workforce**) aged between **60 and 64**, have only about half the superannuation of those who are employed. If you're self-employed, we recommend you speak to your financial adviser about ways to maximise your superannuation account balance. Important information and statistics on this topic can be found here.

(Source: Super and the self-employed, ASFA Research and Resource Centre – May 2016)

Financial literacy

It's important that you equip yourself with knowledge and skills to help you make informed decisions to manage your finances effectively. There are different sources where you can get useful information on superannuation, insurance and other financial matters. Some of these sources include:

TAL's Slice of Life Blog

As Australia's life insurance specialist, we know a thing or two about life in this great country. That's why we launched the *Slice of Life* blog that talks about everything from lifestyle to Life Insurance.

Through blog posts, *Slice of Life* shares our knowledge of the industry and provides useful information to help you gain a better understanding of life insurance and other finance related issues.

Below are two examples of blog posts available on *Slice of Life*.

6 things to plan for before retirement

Retirement is an important moment in our lives. While we can choose to deny its arrival by ignoring to plan for it, a well-considered approach to retirement could have a significant impact on your standard of living in later years. After all, retirement is a time when we should be enjoying the benefits of our working life. This article discusses 6 things you should consider before retirement:

- Set goals
- Find an interest
- Money needs
- Supercharge your super
- Get your affairs in order
- Get resourceful

Read 6 things to plan for before retirement.

5 biggest myths about life insurance

Common misconceptions can incorrectly fuel people's decisions when it comes to the choices they make when considering protecting theirs and their family's future. This article looks at five big life insurance myths:

- It's too expensive
- It's just for old people
- Bachelors and bachelorettes don't need it
- It's better to save instead
- My partner pays the bills

Read 5 biggest myths about life insurance.

Financial advisers

TAL knows the value of sound financial advice. This is why it's important you speak to your financial adviser before making decisions relating to your superannuation, insurance, retirement and other financial matters. Financial advisers can provide you with advice to help you grow your superannuation, and get adequate insurance cover. They can also help you plan for your retirement. If you don't have a financial adviser, simply contact TAL on 1300 209 088 or via email and they can put you in touch with an Affinia financial adviser.

Affinia Financial Advisers Limited ABN 13 085 335 397, AFSL 237857 is a financial services dealer group that is backed by TAL and partners with financial advisers nationwide to deliver financial advice to Australians.

ASFA's Super Guru

ASFA has created an independent website (www.superguru.com.au) to help you understand and maximise your superannuation. It's a site for Australians of all ages and stages of their life, whether you're studying, working, have kids or are retiring.

Super Guru features:

- information about the laws and rules governing superannuation
- up-to-date news articles on superannuation and related topics
- calculators and tools to help you maximise your superannuation account
- tips and advice on maintaining and managing your superannuation.

Useful website links

www.moneysmart.gov.au: ASIC's Money Smart website is for all Australians - young or old, rich or poor, investing or paying off debt. They offer free, independent guidance so you can make the most of your money.

www.ato.gov.au: the Australian Taxation Office website includes valuable regulatory information on taxation, superannuation, retirement and other finance related topics. The website also features useful tax and superannuation calculators.

www.tal.com.au/personal/superannuation-and-insurance-fund is TAL Superannuation Limited's (the trustee of the TAL Superannuation and Insurance Fund) webpage. It features valuable information such as: Significant Event Notices and disclosure documents, biographies of the trustee board members and information about the TAL Superannuation and Insurance Fund.

Contact TAL

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

1300 209 088 Monday to Friday, 9.00am – 5.00pm (AEST/AEDT)

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Privacy: the way in which TAL collects, handles, secures and discloses your personal information is set out in the TAL Privacy Policy which is available on our website www.tal.com.au/privacy-policy, or a printed copy is free of charge on request. TAL has processes in place to help prevent unauthorised people from gaining access to your investment. However, there are some steps that you can take to help protect your personal information from unauthorised access or use.

The website of the Office of the Australian Information Commissioner at www.oaic.gov.au contains useful information on how you can protect your personal information.

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

TAL Superannuation Limited ABN 69 003 059 407 AFSL 237851
TAL Superannuation and Insurance Fund ABN 20 891 605 180

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