

# Super tips for your working 60s



## INSIDE THIS EDITION

- Investment results for the quarter ending 30 September 2015
- *Behind the numbers* analysis of the quarterly investment returns
- Important considerations for different life stages: *Super tips for your working 60s*

### The third in a series of articles to highlight important considerations about super at different ages.

If you're still working in your 60s, retirement isn't a distant idea anymore, it's just around the corner. And, along with thinking about how you're going to spend your retirement, you need to plan how you'll fund it.

Many people will be eligible for at least some of the Age Pension, but your super is going to provide extra income when you are no longer working. So it's worth investing some time now thinking about how you can maximise your income in retirement. Here are a few ideas to start you off.

# Cover story



## Super tips for your working 60s

### Do some planning

A person in their 60s now can expect to live well into their 80s and many will live into their 90s. So planning your income during retirement is an important first step. Get started with two questions:

- How much income will I need?
- What income will I have?

There's an easy to use Budget Planner at **moneysmart.gov.au** that can help you work out your expenses in retirement.

To work out your income, permanent employees can login to their account at **apss.com.au** and use our *Retirement Simulator*. It will show you an estimate of the yearly income you'll get from your super plus income from the Age Pension (if you're eligible). It will also show you how long your super is expected to last depending on how much you withdraw each year.

To check out other Government support you may be entitled to, use the Payment Finder at **humanservices.gov.au**.

Also think about how you'll manage your savings. One option is to convert your super into an income account like the APSS Pension. It's an easy way to manage your savings - regular payments from your super are made directly to your bank account, just like wages.

### Build up your super

It may be worthwhile to consider adding to your super before retiring - it's a tax effective way to save compared to many other investments. And if you convert your super to an APSS Pension when you retire, everything is tax free – including income payments and investment earnings.

So, what's the best way to add to your super?

Contributing from your before tax pay means that you only pay 15% contributions tax. If you're in your 60s, you can contribute up to \$35,000 each year. For Defined Benefit members, this limit includes your notional taxed contributions. Those who earn above \$300,000 will also pay a higher tax rate on contributions. Read our *Superannuation taxes* fact sheet at **apss.com.au** for details.

If you want to contribute from your after tax pay or transfer other money into your super, you can add up to \$180,000 a year. If you're under 65, you can bring forward an additional two years of contributions, up to \$540,000 over three years.

You may be eligible for a Government Co-contribution. If you earn up to \$35,454 a year, for every \$1 you contribute from your after tax pay, the Government will contribute 50 cents. The maximum you can get is \$500. As your income increases the co-contribution decreases (and cuts out for people earning above \$50,454).

# Cover story

## Super tips for your working 60s (continued)

### Transition to retirement

Before you retire, you can set up an APSS PREP Account and get income from your super. This is known as a transition to retirement strategy, and may suit you if you want to reduce your working hours and maintain your income. You can also use this strategy to boost your retirement savings before you retire by contributing more of your salary to your super account using salary sacrifice. This option might suit you if the marginal tax rate on your income is higher than the tax you pay on your super contributions. You can find out more about this option by reading the *Getting ready for retirement* fact sheet at [apss.com.au](http://apss.com.au), or you may wish to speak with a financial adviser.

If you work part time after 65, you may also be eligible for the Government Work Bonus. If eligible, it lets you earn up to \$250 a fortnight before your Age Pension is reduced. For more information, visit [humanservices.gov.au](http://humanservices.gov.au).

### Don't retire your super too early

Just because you may be thinking about retiring, that doesn't mean your super can. Your savings need to keep working hard for you right through your retirement to keep ahead of inflation.

A low risk option, like the APSS Cash Return option, may provide more protection against short-term market ups and downs, but in the long-term returns are generally low. If you are planning to live off your super over many years, the return from low risk options may mean that your savings don't last as long as you want. Options that include asset classes like shares and property usually are expected to provide higher returns over longer timeframes and may be better suited if you plan to keep your pension invested for a longer period of time.

So consider your investment choices carefully. You can choose a combination of Market Return or Cash Return investment options for your savings so that you have some that's safe for the short-term and some that's invested for long-term growth. For both investment options we state the return we aim to achieve and we estimate the number of times that option may have a negative return over 20 years. Go to your *Member Savings PDS* for more details.

### Get expert advice to maximise your income in retirement

Even if retirement is a few years away it's good to prepare early. With the right advice, you can maximise the income you'll get from your super and the government support you may be entitled to in retirement. You can also get advice about your investment strategy, a transition to retirement strategy or adding to your super. Visit the Financial Planning Association's website at [fpa.asn.au](http://fpa.asn.au) for information about finding a financial planner.

## Remember to nominate your beneficiaries

It may not be something you want to spend much time thinking about, but it's important to make sure that those you love are looked after if you die. And compared to making a will, it's easy to tell us who you'd prefer your account to be paid to.

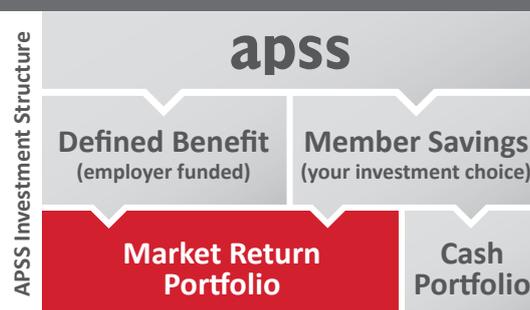
*If you're in your 60s and retired, we haven't forgotten about you. Look out for the next issue of Insight and our article on tips for managing your super savings in retirement.*

## Important

If you need assistance with any of the tips listed above, please contact the APSS SuperPhone on **1300 360 373** and one of our highly trained representatives will be able to assist you.

# The Market Return Portfolio

The crediting rates for Market Return Member Savings are determined by reference to the investment returns of the Market Return Portfolio. The APSS Market Return Portfolio invests in a broad range of shares, real estate and bonds comprising both listed (public) and unlisted (private) global assets. The Market Return option has a higher relative risk and volatility than the Cash Return investment option with an expectation of higher returns over the long term. The APSS adopts strategies aimed at reducing the impact of volatility in financial markets and currency markets.

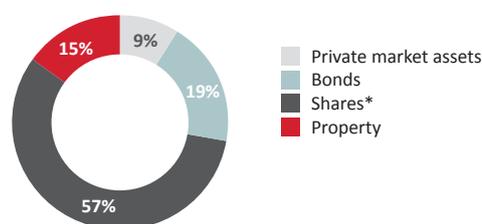


## Market Return Member Savings Crediting Rates to 30 September 2015

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	1.84%	12.10%	10.32%	9.36%
APSS Rollover	1.84%	12.10%	10.32%	9.36%
APSS Pension	2.08%	14.22%	11.60%	10.85%

The compound crediting rates shown above are after investment costs and tax (where applicable). Pension members do not incur tax on investment earnings of their APSS Pension Accounts.

## Actual asset allocation for the quarter ending 30 September 2015



\* This asset class is made up of 26% public market shares and 31% private market shares. Remember, the Trustee intends to scale down the private equity investments in the Market Return Portfolio over time and this asset class will ultimately consist of public market shares only.

**Important reminder:** Past investment returns are not necessarily indicative of future investment returns.

## Behind the numbers

The cumulative Market Return Crediting Rate was 1.8% for the September 2015 quarter, building on a 12.9% rate from last financial year. The crediting rates for the APSS Pension are slightly higher because investment earnings are not taxed.

The Market Return Portfolio earned a positive return, despite high volatility in global share markets through the quarter. After rising in July,

share markets fell in reaction to weak Chinese economic indicators, underscored by China's decision to devalue its currency in August. The global share market index lost over 7% for the quarter. Emerging markets and commodity-based markets, including Australia, fared even worse. In September, the US Federal Reserve decided to keep the US cash interest rate close to zero.

## Reminder

\* In June 2013, the Trustee amended the investment strategy for Market Return Member Savings and the assets held in the APSS to pay defined benefits (both of which are currently invested in the Market Return Portfolio), increasing the Market Return Portfolio's target allocation to public market investments and reducing the portfolio's target allocation to private market investments, without reducing the long-term expected investment returns. The transition is expected to take several years and is designed to ensure that the APSS has liquid assets to pay benefits now that it is closed to new Australia Post employees, while continuing to meet the long-term growth objectives of members who choose Market Return Member Savings.

# The Market Return Portfolio

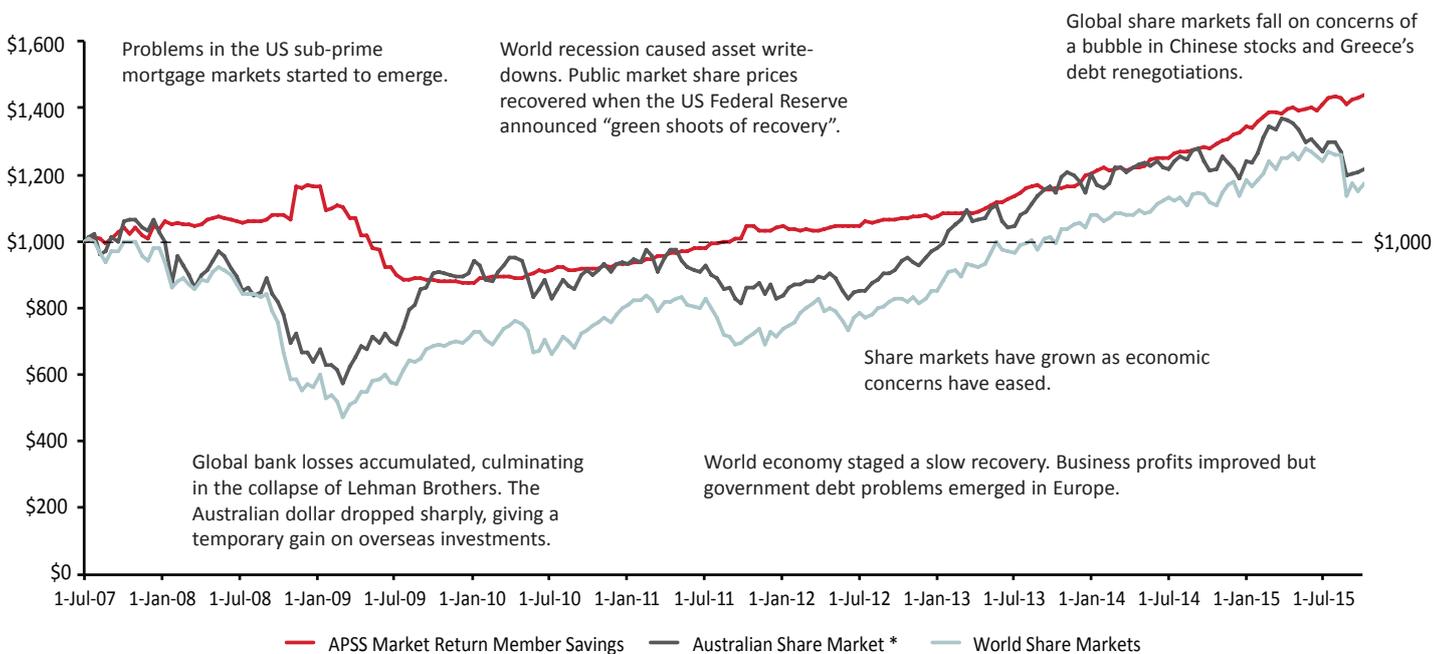
## Behind the numbers (continued)

This gave some relief to investors worried about the impact on the global economy of a widely anticipated US interest rate rise. Amidst the global economic uncertainty and falling commodity prices, the Australian dollar weakened too, falling from 76.8 US cents at the start of the quarter to 70.1 US cents at the end. This contributed to a gain in the APSS’s private market investments, the majority of which are overseas. Mergers and acquisitions and a keen investor appetite for innovative private companies also boosted valuations and contributed to the positive return in private market investments for the quarter.



## How we compare

How \$1,000 in APSS Market Return Member Savings would have changed in value since 1 July 2007 compared to the same amount invested in publicly-traded Australian and overseas share markets.



\* Australia Share Market reflects returns from Russell Australian Shares for period prior to 30 September 2014 and Russell After-Tax Australian Shares Unit (for Superannuation Investors) thereafter.

Values used in this chart are based on Russell Investments’ Australian Shares and International Shares (Hedged) PST sector funds.

**Important reminder:** Past investment returns are not necessarily indicative of future investment returns.

# The Cash Portfolio

The crediting rates for Cash Return Member Savings are determined by reference to the investment returns of the Cash Portfolio. The APSS Cash Portfolio invests in high quality cash deposits or bills and short-term interest bearing securities. The Cash Return option is therefore relatively low risk, with a capital guarantee provided by Australia Post that means crediting rates will not be negative, but with an expectation of lower relative returns in the long term.



## Cash Return Member Savings

### Crediting Rates to 30 September 2015

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	0.45%	2.03%	2.19%	2.83%
APSS Rollover	0.45%	2.03%	2.19%	2.83%
APSS Pension	0.53%	2.39%	2.62%	3.39%

The compound Crediting Rates shown above are after investment costs and tax (where applicable). Pension members do not incur tax on investment earnings of their APSS Pension Accounts.

### Behind the numbers

The Cash Return Crediting Rate corresponds with the official cash interest rate set by the Reserve Bank of Australia (RBA), reduced by investment fees and 15% investment tax (where applicable). During the September quarter, the RBA kept the official interest rate on hold at 2.0%. The RBA mentioned below-average economic growth and low inflation as key factors behind its decision to keep the rate at an all-time low.

**Actual asset allocation for the quarter: Cash 100%**

**Important reminder:** Past investment returns are not necessarily indicative of future investment returns.

## Remember

When comparing the official cash interest rate to the APSS Cash Return Crediting Rates, keep in mind that, with the exception of the APSS Pension Accounts, the crediting rates are shown after tax is paid on investment earnings.

## How to contact the APSS

Call *SuperPhone* on **1300 360 373** between 9am and 5.30pm (AEST) Monday to Friday or visit us online at **apss.com.au**. Write to APSS, Locked Bag A5005, Sydney South NSW 1235 or Fax (02) 9372 6288.

Australia Post Superannuation Scheme (ABN 42 045 077 895) Issuer: PostSuper Pty Ltd (ABN 85 064 225 841) RSE Licence Number L0002714 APSS Registration Number R1056549. Important Note: All investments carry risk and may rise and fall. International investing involves additional risks, including the risk of currency fluctuations. Diversification does not ensure a profit or protect against a loss in a declining market. Past performance is not a guarantee of future returns or crediting rates. APSS's crediting rates are calculated fortnightly and are published on **apss.com.au**. The information contained in this publication is of a general nature, is not intended to be financial product advice and does not take your personal financial circumstances into account. Before acting on any information contained in this document you should first consider its appropriateness to your financial circumstances. If you have any doubt or required further assistance you may wish to seek the advice of a professional financial adviser. The APSS Trustee does not hold an Australian Financial Services Licence and therefore is not licensed to provide you with financial product advice. Issued: 27 October 2015.