Issue 42 February 2015

THE SUPERANNUANT

Newsletter of the South Australian Government Superannuated Employees Association Inc.
Trading as SA Superannuants Established 1927 www.sasuperannuants.org.au

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From the President

Climate change is a topic of interest to many, be they believers, deniers or unsure. One response to climate change is to change our energy sources away from fossil fuels. This has led around the world to some remarkable innovations which are now moving at a great pace irrespective of where the political debate about climate change now sits.

The debate is now turning around. We had a period where the climate change believers struggled to convince the general population of the need to look at alternatives to fossil fuels. Now we have a situation where the producers of fossil fuels are fighting to prevent new energy sources growing.

Innovations in energy production and communications are moving so fast that developing countries are likely to leapfrog the poles and wires infrastructure that we rely on.

China has surprised many with its support for reducing green house gases and adopting renewable energy sources and nuclear power while reducing their dependence on coal. However, you only have to visit China and experience what their citizens put up with by way of pollution to realise the devastating effect that pollution is having on the health of ordinary people, particularly children and the elderly.

In many countries, including the USA, massive solar farms are now being built because the technology now makes them economically viable. We have a solar power project here at Port Augusta which will be the subject of our guest speaker in April.
It's time to wrest the climate change debate from politicians and self-interested miners and other modern day Luddites and let innovation have its head. This can only benefit us older members of the community.

Peter Fleming

Annual General Meeting 2015

Monday 23 February 2015 at 1pm
Pilgrim Centre, 12 Flinders Street, Adelaide

Agenda

1. Apologies
2. Minutes of the 2014 Annual General Meeting
3. Annual Reports: President, Treasurer
4. Membership Dues
5. Election of Officers and Committee

Guest Speaker: See p2

Nominations for the 2015 Committee*

Nominations received at 21/1/2015 were:
President: Peter Fleming
Vice-President: No nomination
Secretary: Christine Venning
Treasurer: Michael Evans
Membership Officer: Max Jahn
Assistant Secretary: Vic Potticary
Guest Speaker Coordinator: No nomination
Committee member (up to six positions of whom two should be women): Arnulf Anders, Clive Brooks, Mike Wohltmann, Ian Beckingham.

*The constitution provides that where a nomination has been received for a position and has not been withdrawn, further nominations cannot be made at the AGM. The vote will be for acceptance or rejection of that nomination. Where vacancies exist, nominations will be accepted on the day.

Speaker Program for General Meetings

Speakers and topics subject to change without notice.

February 23: Morry Bailes, Past President SA Law Society and Managing Partner of Tindall, Gask and Bentley: "The Law Society and Advanced Care Directives".

March 30: Leigh Garrett, CEO, Centre for Restorative Justice. "Restorative Justice, Principles, Practices and Implementation".

April 27: Lovisa Muyderman, SA State Coordinator Australian Youth Climate Coalition, "Solar Thermal Energy: Repower Port Augusta".

May 25: Germaine Rowberry, COTA Project Officer, "Controlling my own life: making the most of consumer directed care (CDC)".

June 29: Pam Judge, President, SA Retirement Villages Residents Association, "Retirement Villages – Standards and Pitfalls".

Pilgrim Centre, 12 Flinders St Adelaide
Meetings commence at 1pm.

A Member Writes…

In regard to your 'From the President' (Issue 41), I agree wholeheartedly that it's not 'the problem of old age', the problem is how people treat us.

My wife and I live in Victor Harbor which has a large sprinkling of older folk and one's listening skills are certainly enhanced by hearing what older people have to say.

In regard to your penultimate sentence, I believe that the words 'experience' and 'listen ' can be very relevant. An older person has a wealth of 'experience' worth 'listening' to and sometimes even applying.

Yours sincerely *DM*

From Your Membership Officer

Again this year, we have kept our membership numbers up: a total of 1603, 1023 life members, 496 annual members and 84 partners.

There are 117 members who have only paid up to the end of 2014, which is a concern, as they would not receive any more newsletters. However, as this is the first year with the new financial membership policy, the committee approves of those members, even though they are unfinancial, receiving ***one more newsletter*** as an incentive to get their dues in straight away.

A few life members have taken the opportunity to pay their $50 to make their partners into life membership as well.
70 new members have signed up in 2014. The committee has approved the omission of listing names of new and deceased members in the newsletter, as they take up space which can otherwise be used more beneficially.

I enjoy being membership officer. Occasionally I receive a "curly one", but lots of people add comments like "Good job", "Sorry my payment is late", and I pass on, "Congratulations to the committee on a task well done".

Max Jahn

Alerts for Retired Persons

The Future of Financial Advising

The most recent legislation impacting on the relationship between consumers and Advisers came into effect on 1/7/12 and in force from 1/7/13 due to lack of detailed regulations being available at the earlier date.

What does this mean to the consumer?

The legislation bans commissions on new investments/superannuation and pension products from 1/7/13. If you are already paying an adviser by means of ongoing commissions started prior to that date your situation will not change. The requirement to fully disclose all adviser fees, including ongoing commissions, predates these changes so all consumers should already have information from their adviser outlining all fees paid. The cost of advice is now most commonly paid via adviser service fees, which consumers can authorise to be paid from their investments, superannuation or pensions.

Financial Advisers now have a legislated requirement to act in the "best interests" of their clients. Essentially this means that in providing advice they have to demonstrate that you will be better off than without it. For example, that you are able to ensure that your funds go exactly where you want them to after death or that you have an insurance policy which gives you a better chance of receiving benefits after a claim. This is not just as simple as paying lower fees, which is often what a consumer may look for.
If consumers are paying fees, other than ongoing commissions, to an Adviser they are required to renew their arrangement every two years. This requirement is known as "opt in". This is designed to stop the situation where fees are being paid but service is not provided. It is always the prerogative of the consumer to stop Adviser Service Fees at any time, regardless of this. As the legislation came into effect from 1/7/13, then effectively "opt in" will take effect from 1/7/15.

Additionally, if fees other than ongoing commissions are being paid, the Adviser is required to supply the consumer with a Fee Disclosure Statement annually. This statement sets out the fees (other than commissions) being paid and the services the consumer is entitled to and has received in exchange for those fees.

The majority of Advisers will not find the "best interest" requirements at all onerous, as they are merely good business practices. There will be extra paperwork delivered to clients, giving them the information that they should already have through earlier disclosures.

Will this legislation stop bad apples? Personally I am not sure that you can legislate against greed and the lack of ethics. The Advice profession has been rocked by several instances of completely unacceptable behaviour by a few unscrupulous operators. The net effect of this was to make consumers wary of seeking the very advice that may make a huge difference to their present and future lives!

The best consumer protection is to seek out an Adviser who subscribes to a Professional Association with a Code of Ethics. Or to take a recommendation from a friend with a long-standing relationship with an Advisory firm who can attest to the outcomes of advice.

The Coalition government has been seeking to reverse some of the above law, known as FoFA (Future of Financial Advice). None of those proposals has yet become law.

Pam Gray BSc, DipFP, MBA, CFP®, FFin is a retirement specialist with Intrinsic Financial Planning, 247 Glen Osmond Road, Frewville. Ph: 8236 1569.

This article was written at the request of the Committee of SA Superannuants to inform members of the current situation. The information provided in this article is general information only and does not constitute personal advice. It has been prepared without taking into account any individual objectives or financial situations.

CPI Change: The Adelaide Consumer Price Index increase for July 2014–December 2014, was 0.66**%.** This same adjustment will be made to Super SA pensions from April 2015.

License to Drive – Changes

South Australia has removed the compulsory annual assessment for car licence holders aged 70 and older and who do not have a medical condition that could affect their ability to drive.

This means that you will no longer need to visit a doctor each year to assess your fitness to drive provided you:

- Are aged 70 years and older, **and**
- You only hold a car (C class) driver's licence, **and**
- You don't have a medical condition recorded against your licence.

A self-assessment will be introduced mid-2015 to allow drivers from the age of 75 to assess their own fitness by mail (if they have only a car licence and do not have a medical condition).

If you have a medical condition recorded against your driver's licence, **or** being aged 70 and older you hold a class of licence other than for a car e.g. LR, MR, HR, HC, MC, R-DATE or R classes, you will be asked each year to visit a doctor and submit a *Certificate of Fitness*

You will need to pass a *Practical Driving Assessment* (PDA) **if** your doctor requests that you take one to help determine your fitness to drive, **or** you are 85 years of age or older and hold any licence other than for a car.

More: http://www.mylicence.sa.gov.au

Mike Duff

Advance Care Directive

The new Directive on your future life decisions has in one single form replaced three documents that often previously required to be drawn up by a lawyer: the Medical Power of Attorney, the Anticipatory Direction and the Enduring Power of Guardianship. Any of these forms that already exist will still have legal effect.
The new Directive form allows you to:

- write down your wishes, preferences and instructions for your future health care, end of life, living arrangements and personal matters, and/or
- appoint one or more substitute decision-makers to make these decisions on your behalf at a future time when you have become unable to do so yourself.

The information kit, with the form and a wallet card, can be obtained from Service SA 13 23 24 or http://www.advancecaredirectives.sa.gov.au/

David Donaldson

Affiliated Organisations

The **Australian Council of Public Sector Retiree Organisations** held its AGM in October 2014. ACPSRO resolved to make an FOI request to the Australian Bureau of Statistics seeking information on how shop prices are discounted before being incorporated into the CPI; this has now been done.

Annette Barbetti, federal president of *SCOA, has produced a document showing the state of play for 2014 federal budget measures. This document is now on our own website.

The defence forces representatives have reported strong opposition by past and present ADF personnel to the Govt. offer of 1.5 % pa pay rise for ADF personnel in return for a reduction in conditions of service.

Michael Evans

*Superannuated Commonwealth Officers Association

The **Superannuation Federation*** met on 19 November 2014. Delegates from SA Superannuants were Clive Brooks (Vice-Presid-ent) and Christine Venning (Secretary), with Peter Fleming (President) registering an apology.

Clive spoke to our report, Account-Based Income Stream Changes and Budget Measures 2014/15. The meeting agreed to write to the Australian Government protesting at the cessation of the Seniors Supplement.

John Montague reported from Super SA. A decrease in people taking up fixed insurance meant that other areas would have to take up the slack and members would experience rises in premiums. Members have been notified by letter and there has not been any negative feedback. Current members will not notice any changes.
There was a dispute about when notice to Super SA was ‘received’ and could be acted upon. Crown Law advice is different from using the postmark.
A trend is that women who are returning to the workforce are contributing more to superannuation.

Mike Grdosic, Acting Head of Investments, and Jane Dharam, Manager, Investor Relations and Corporate Affairs did the Funds SA presentation. The fund has delivered a return of 8.2% p.a. to the end of October 2014, approximately 5.6% ahead of the rate of inflation.
Most asset classes have performed well due to relatively favourable economic conditions and because of the attractive yields available relative to cash. The returns from cash were very low because central banks globally continue to keep official cash rates near zero.

Meeting dates for 2015 are 18 February, 20 May, 2 September (AGM also held) and 25 November.

Christine Venning

*South Australian Government Superannuation Federation under the 1995 Act.

Speaker’s Corner

Dementia, Ageing and You

In 2014 members were fortunate to hear Deborah Delpario from the SA branch of Alzheimer’s Australia. She carefully outlined the different parts of the brain and what it does.

The frontal lobe is used for planning, organising and decision-making.
The parietal lobe is important for language speaking reading and spatial perception.
The occipital lobe deals with visual processing e.g. what to wear that is suitable for the weather conditions
The limbic region is the last part of the brain to die. That's your consciousness, sleep and appetite and emotion.
There are over 101 different types of dementia, the most common being Alzheimer's at 55%. 10% of the dementia types have been diagnosed in the last 10-15 years. *By 2050 there will one million people with dementia in Australia.*

Not to worry. Start by recognising the risk factors. 1 in 4 get dementia by just getting old.
Is there a family history of dementia? What you have to do is look after your brain health. And how do you do this?

There are three areas to concentrate on – brain, body and heart. Many of the following suggestions also apply to other complaints.

For Your Brain Keep active: have varied, challenging activities which are done frequently and with changing activities. Choose activities you enjoy and have at least 30 minutes a day of physical activity. Combine social, mental and physical activities. Use it or lose it

For a healthy body eat a variety of foods. Limit the intake of butter, deep fried foods, cakes, pastries and biscuits. *For your heart* have your blood pressure, cholesterol, blood sugar and weight checked regularly

We all suffer loss in memory. **It is normal**. What is not normal is when it plays a significant role in your everyday life. For example, you misplace the car keys but when you find them you don't know what you meant to do with them.
Other examples You forget everyday things. You become confused about dates and time. You have trouble speaking or understanding other people's conversations. You find yourself lost in what should be familiar places. You lose interest in doing things.
If you are worried about your memory, write down how often things happen. Talk to your doctor about your concerns. Ring the national dementia helpline 1800 100 500

There are a number of conditions that produce symptoms similar to dementia: Infections, Dehydration, Effects of medication, Chronic pain/illness, Hormonal disorder, Anaemia.

Services from Alzheimer's Australia
The national dementia helpline 1800 100 500 operates during office hours.
Dementia Behaviour Management Advisory service is a 24 hour service on 1800 699 799.
Alzheimer's Association run family carer workshops, living with memory loss workshops, a counselling service, support groups as well as resource and sensory centre.

The telephone interpreter service is available on 131 450. Alzheimer's Australia can be contacted on 8372 2100.

Christine Venning

A member asks . . .

The question:
I am 62 years old and thinking of going overseas to live for a while, possibly years. How would my Super SA pension income stream be taxed as a 'non resident'?
Presently I receive an Australian Super Annuity / income stream offset of around $5000. The rest is taxed at normal resident rates, including the tax-free threshold.

I have tried to get a response from the ATO, but the process is so slow and painful. The following information online gives me hope.

ARTICLE 1 from 2012

Annuities and superannuation income streams Non-residents aged over 60 in receipt of Australian superannuation income streams are taxed in the same manner as resident taxpayers. Where such payments are received from a taxed source the income is classified as 'non-assessable, non-exempt income' and is not subject to Australian taxation. Recipients will need to determine whether there is a liability to taxation in their country of residence.

ARTICLE 2 from 2010

An individual who meets at least one of the following tests is an Australian resident for tax purposes: Residence test — the person lives in Australia; Domicile test — the person's domicile or permanent place of abode is in Australia; 183 day test — the person has been in Australia for at least half of the financial year; Superannuation test — the person is a member of Commonwealth Super Scheme or Public Sector Super Scheme, or is a spouse or child (under 16) of a member of these schemes.

An Answer: The first statement above seems clear. Even if you become a non-resident, you will be taxed as if you were a resident taxpayer because you are over 60 and in receipt of a superannuation income stream. You will retain the $5000 tax offset and a tax-free threshold of $18,200. However, I recommend you persist with attempts to get a statement from the ATO. This will be authoritative. Contact your local member of the House of Representatives to hurry ATO along if necessary. The ATO's last sentence might be important. You might contact the embassy or consulate of the country to which you are intending to go to see if that country is going to tax your Super SA pension.

Also write to Super SA, since they will already have pension recipients doing what you intend to do. Ask them to tell you:

- what tax implications there are, if any, if you move to another country for a period of years?
- what the payment arrangements will be once you have moved e.g. can they send your money to you in the other country or will they only pay it into an Australian account?

You should also check out with your bank the implications of accessing your money once you are living in another country.

Ray Hickman

What is your question of general interest about Super or Pensions? Send it in to the Secretary. The question and an answer will be printed here.

Super & Pension Alerts

Exemptions from Medicare Levy

Ray Hickman in the Aug/Sept issue pointed out that incomes paid from taxed super funds are tax free and therefore escape the Medicare Levy.

The decision in 2007 totally removed the burden of income tax on allocated pensions sourced from taxed superannuation funds. There is more. On up to $6000 of any additional income of recipients of such pensions, income tax and Medicare Levy became not payable. In 2012/13, income tax scales were amended. Those persons can now earn up to $18200 of additional income *and* continue to avoid both tax and the levy that increased from 1.5% to 2 % from 1 July 2014.

Even if their separate income exceeds $18200, those people are still entitled to the Commonwealth Seniors Health Card with "Assessable Income" up to $51500 or $82400 for a couple. (These figures are indexed by the CPI on 20 September each year).

New superannuation income streams commencing from 1 January 2015 will be deemed as earning "Assessable income", but existing schemes will have “grandfather” exemption.

Today, what can justify tax-free superannuation (and any additional income up to $18200) being also exempt from the payment of the Medicare Levy?

Mike Duff

Changes affecting retirement incomes

Dependent spouse tax offset (DSTO): in line with the Coalition's 2014 budget this tax offset was abolished from 1/7/2014. The maximum value of the DSTO in 2013/14 was $2471; some Super SA pensioners will now pay a significant fraction of this amount in additional tax.

Medicare levy increase from 1.5% to 2.0%: this was announced in the 2013 budget of the Labor government and will apply in the 2014/15 tax year. To a good approximation, whatever a person paid as Medicare levy in 2013/14 will increase by about one third in 2014/15.

Deeming of allocated pensions: allocated pensions beginning after 1 January 2015 are to be assessed differently by Centrelink for age pension and Commonwealth Seniors Health Card (CSHC) purposes. Previously Centrelink assessed allocated pension income in a way that saw only a small fraction counted for age pension purposes and nothing at all counted for the CSHC.

For an allocated pension commencing after 1 January 2015 Centrelink will deem the account balance to determine an income amount that will be counted for both age pension and the CSHC. This will see an age pension entitlement decreased and less people eligible for the CSHC than would have been the case otherwise.

People with allocated pensions that commenced before 1 January 2015 will be unaffected. However, *as a word of caution*, any changes made to existing allocated pensions after 1 January 2015 could change this. For example, adding a reversionary beneficiary or rolling over the balance to a different pension provider could see the allocated pension being assessed under the new rules. Similarly, should eligibility for age pension or CSHC be interrupted by a change in a person's financial circumstances, the new arrangements will apply when an application for resumption of the benefit is made. *RH*

From the CEO of Super SA

Longevity Risk

Ageing may be good for wine but for people it brings many challenges. For the past 20 years the preparation for retirement for individuals has been focused on building up a superannuation benefit. However, most Australians will be unable to independently fund their entire retirement and will rely on the Age Pension to some extent.

Currently, 80 per cent of retirees receive all or part of the Age Pension and this level is not expected to decline substantially. In 40 years time 75 per cent of retirees are still expected to receive all or part of the Age Pension, although the number on a *full* Age Pension is expected to reduce from 60 to 35 per cent(1). This is despite the fact that by 2055 Australians will have had the benefit of superannuation throughout their working lives.

Part of the issue is that we are living longer. Currently the average life expectancy of an Australian male aged 65 is another 19 years, *(in 1960 it was 13 years)*, which means that many people will live well beyond this point. For example, of those aged 65 now, 26 per cent of males and 40 per cent of females are expected to reach their 90s.(2). Given this statistic it is not surprising that one in four Australians is expected to outlive their retirement savings by more than 10 years(3). This is aptly (but not subtly) named longevity risk.

With the youngest baby boomers now in their fifties, there is a pressing need to find a practical and financially appealing solution for this issue.

For some the answer may be to continue working for longer, either part or full time. Also, new super products, such as Mercer LifetimePlus, are emerging as retirees recognise the risk of longevity and seek solutions.

John Montague

(1) Mercer - 'Game changer for Australia's retirement income market' October 2014
(2) ASFA – 'Spending patterns of older retirees' – September 2014.
(3) PWC - 'Finding the gold in the silver economy' 2014

Fees And How to Pay

Current Fees Annual: Full member = $15, Partner member = $5,
Member for Life: under 60 = $270,
age 60-65 = $220, 65-70 = $160, over 70 = $130.

Receipts: *These will be sent for Life Membership Fees but members requiring a receipt for an Annual Fee must enclose a stamped self-addressed envelope.*

a) When renewing by cheque or money order, please mail your payment to:

Membership Officer
SA Superannuants
P.O. Box 348
Modbury North SA 5092

b) When renewing by electronic funds trans-fer, please make sure that when the payment arrives in the Association account it will be accompanied by your surname, initial and suburb. Otherwise we may not be able to recognize your payment.

Our **Bank SA** details are:

BSB: 105-900
Account number: 950313840
Account name: SA Superannuants

c) **When making an in-person deposit** into the Association's bank account, you must notify the membership officer (in writing or by e-mail) that you have done this and the date. This type of payment can be very difficult to assign otherwise.

d) **New members subscribing by electronic funds transfer or in-person deposits**. If you are a new member paying by one of these methods please **also** send the membership application form to the Membership Officer so that your necessary details can be recorded.

On the next page: *form for new members to join, and existing members to renew annual member-ship or convert to a membership for life or prov-ide for a partner or notify a change of address.*

Membership Officer contact: see page 1.

Membership Applications & Renewals

Existing Members: Your financial status, name and address and the financial status of your partner (if applicable) is currently recorded as:

Please indicate errors or changes:
………………………………………………..………………………………………….………….

………………………………………..…………

New Members:

Title. …………….   Gender …..……..........

First Name ………………………………….…..…

Last Name ……………………….....…….……..…

Postal Address …………………….……..…….......…

……………………..…......……   ………..….

All Members (New & Renewing):
Payment Amount $………………
Purpose of payment (tick relevant box):

☐ Renew annual membership ($15 /annum)
☐ Life membership (see scale page 7)
☐ Change annual to life (see scale page 7)
☐ Partner membership ($5 /annum)

Year of birth …................ (if life membership)
Telephone: (H) …..……………….……………….……
(Mob)..…...…..….………………….…..…......
Email ………………………………….…….……….
Signature ………………...… **Date** …..….……

New on the Website

www.sasuperannuants.org.au

Electricity Industry Superannuation Scheme (EISS): a detailed account of what has happened with pensions of this scheme is now posted on the Key Topics page.

Hands Off the Pension campaign by COTA (Council on the Ageing) is on Key Topics page.

Budget Update (SCOA) on Key Topics page.

Disclaimer: *Readers should not act, or refrain from acting, solely on the basis of information in this newsletter, or the website, but should consult the relevant authorities and advisers.*

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2014 annual subscriptions due for renewal.
Check your details above.