

Absolutelysuper

December 2009

An article from your super fund

Summary 2009

Superannuation funds experienced the wuthering heights of a year which began with dark clouds of the Global Financial Crisis spreading across investment returns.

From January through March the downward spiral of the domestic and international share markets continued from last year as the international banking/credit crisis saw cross-border lending dry up because of the break-down in confidence. "Toxic debt" and "GFC" became clichés! Governments across the developed economies proactively managed the crisis using tools such as bank guarantees, fiscal stimulus and company bail-outs to avoid a global recession or depression. Members of super funds saw their balances dwindle as a result of the sharp falls in equity and property markets.

With the Northern spring came hope, confidence and a V-shaped recovery following the gloom and by the end of the first week in November, the Australian share market (S&P ASX 300) rose 29.21%* for the current year to date. The one year return for NGS Super Australian Shares Option to 31 October, 2009, matched the strong growth with a return of 29.22%.

At present it is not clear whether the crisis has been resolved, but the signs are looking positive and fortunately Australia's highly regulated financial sector weathered the storm better than most developed economies.

With the May budget came no swans, but instead a raised retirement age to 67. For those boomers who had planned to salary sacrifice heavily in the lead-up to their retirement came new caps for salary sacrifice contributions which sent shivers through the superannuation industry. Of special concern was the fact that there was virtually no consultation with the industry about the possible repercussions of lowering the contributions limits which had been set to remain until 2012. So the key question became, "How many more changes is the Government planning to make with superannuation?" Predictably, member confidence was dealt another blow.

At present the Government has commissioned two major reviews – the Henry review of the taxation system and the Cooper review of the superannuation system. Both reviews will provide recommendations to the Government which will then lead to debate, possible restructure and legislative reforms in the areas of taxation and superannuation.

However, in spite of the GFC and government reforms, the Australian compulsory superannuation system remains resilient. It has accumulated the fourth largest retirement savings pool in the world for a relatively small population. It is the envy of many countries which are unable to legislate a compulsory and universal retirement savings plan. It employs the expertise of the private sector investment managers and service providers within a highly regulated industry supervised by APRA and ASIC. It provides certain tax concessions for individuals who wish to fund their own retirement via an income stream or a lump sum payment. And importantly, it has created industry-specific funds which are not-for-profit and provide low-cost investment management for workers who are members of a trust fund.

Let's hope the future changes are prudent, guided by common sense and in members' best interest! And let's hope they make super simpler!

The NGS Trustees, management and staff extend their best wishes this holiday season to all IEU and Fund members!



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*Source: BNP Paribas, Weekly Market Report, for the week ended 6 November, 2009

Important information

The information in this article is general information only and does not take into account your objectives, financial situation or needs. Before making a financial decision, please assess the appropriateness of the information to your individual circumstances and consider seeking independent advice from a licensed or appropriately authorised financial advisor.

