

Moneywise

ISSUE 4 SPRING 2009

NOW
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NGS Financial
Planning

10
MONEY TIPS

Alex + Kim

Start sooner to
SUPERCHARGE
your savings



ngs super™

THE EDUCATED CHOICE



An Industry
SuperFund

Kids
and money



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Have you visited NGS Super's website lately?

We've had a make over! And we're over the moon with the results.

Our new website is packed to the brim with features, information, tools and calculators – everything you need for your super. Helping you to understand and manage your super and your money is something we're passionate about. And we believe our website can really help to do this.

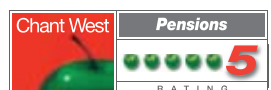
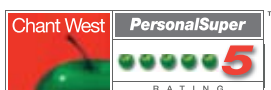
It's easy to use so you can look up information about all the features of your super – how to make it grow, your insurance, how your investments are doing and a whole lot more.

Check your account information at any time, by registering for online access. Just call 1300 133 177 to receive your PIN. With online access, you can update your personal details, look up your super balance, change your beneficiaries or make an extra payment using BPAY. Forget the hassle of filling out and returning forms.

With online access, you can 'Take control of your finances' with our interactive learning modules. There are 24 modules in all, covering everything from starting work, working out a budget, building your wealth and retirement. The modules cover all the basics that can really help you to make the most of your money.

We've got more features planned for the coming months, so why not stop by www.ngssuper.com.au today.

www.ngssuper.com.au



Start sooner to supercharge your savings



It's never too late to start saving, whether it's for a new car, a holiday, a house deposit or anything at all. By consistently adding to your savings – even if it's only a small amount – you can ensure your money is working hard to help you reach your goal.

One of the most powerful factors in any savings plan is the effect of compound interest. 'Compounding' means investment earnings are earned on top of investment earnings. Over time, this can be one of the best tools to help your investments grow. What this means is that the time your money spends in an investment that's making a return can be more important than how much you actively put into that investment.

The secret to making the most of compounding interest is to start early – starting sooner rather than later gives you a head start that you may not be able to otherwise catch up.

Let's look at an example

Sarah is 20 years old and decides to start a savings plan, putting \$25 a week into a savings account. She continues with her savings plan until she is 30 years old and then leaves her money invested, returning the interest she earns on her account to also earn interest, rather than taking it as income. Over a period of a decade, Sarah puts a total of \$13,000 into her savings which is earning an average return of 6% a year.

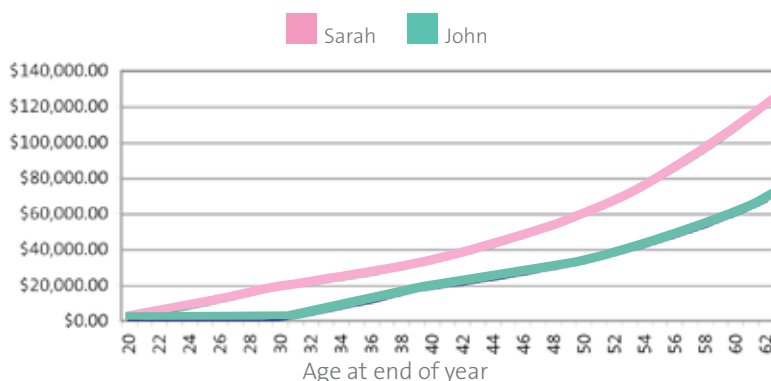
By the time she turns 30, Sarah's account has grown to just over \$18,000. If she leaves the money invested in her account, this will be almost \$34,000 by the time she turns 40, even though she is not adding any money to the account, other than the interest she earns. By the time she turns 60, her account will have grown to more than \$107,000 – over eight times her original savings amount and all by saving only \$25 a week for a ten year period.

John starts his savings plan at the age of 30, ten years later than Sarah, and he also puts \$25 a week into the same sort of account Sarah is using. He puts the same amount into savings each week for ten years. John's savings also earn interest of 6% a year. By the time John turns 60, he will only have a little over \$60,000 even though he's deposited exactly the same amount of money into his account as Sarah put into hers.

The graph below shows that, although they have both put a total of \$13,000 into their accounts, the ten years difference in the time their money has been invested has meant that Sarah has used the power of compound interest to increase her savings by almost \$47,000 more than

John's by the time she turns 60! As you can see from the graph, the longer the money is invested, the greater the difference in their account balance becomes. The example also shows that saving a small amount of money such as \$25 regularly over time, can grow into a substantial investment.

In this example, since Sarah and John have used a savings account, they must pay tax on their earnings at their usual marginal tax rate. If they save their money in their **super** account, not only can they benefit from compound interest, their earnings are taxed at the lower rate that super offers. What's more, if they make their \$25 contribution into their super from their pay before tax, depending on their income they may take advantage of some additional tax benefits. Getting advice from a licensed financial planner about the best way to arrange their savings can help Sarah and John to decide the approach that helps them to make the most of their saving efforts.



Action points

☆ Start saving early no matter how small the amount. The sooner you start, the greater the effect compounding interest will have on your investment in the long run.

QUICK CLICK

Log in and watch the online learning module, 'Wealth Creation – Getting Started', located in the 'Take control of your finances' section of the website.

10 MONEY TIPS

The options for managing your money are almost endless. Here we condense them down to ten money tips, which, when put into practice, can make a big difference to your savings over the long term.

1

Consolidate your super

As you move between jobs, make sure you take your super with you. Having multiple super accounts can be expensive and ineffective. Firstly, you're paying fees for each fund you are in, which are potentially eating into your super savings. Secondly, control over your super is reduced as your retirement strategy is in many hands. Beware, as some funds charge exit fees so keep that in mind when considering consolidating your accounts.

Action point

☆ At NGS Super, we'll do the hard work for you. Just complete a Transfer other super accounts into NGS Super form (available from the NGS Super website) and return it to us with the necessary proof of identity and we'll do the rest.

2

Boost your super savings

Compounding interest offers a powerful advantage to long-term investing. Starting sooner rather than later can give your super a head start.

Here are some ways to boost your super:

- Make before-tax (salary sacrifice) contributions to your super. You can ask your employer to make before-tax contributions directly into your super from your pay, taking advantage of the favourable taxation of super. See the "News in brief" on page 8 for the new contribution limits.
- Make after-tax contributions. This may be a regular amount from your take-home pay each week or a lump sum from sources such as investment income. Keep in mind that the limit on after-tax contributions is \$150,000 a year. See if you qualify for the Government co-contribution in tip 6.

QUICK
CLICK

Use the "Extra contribution" calculator on the NGS website to estimate the tax you may save through salary sacrificing.

3

Choose a super investment option that suits your needs

Your choice of investment option can have a significant effect on your long-term investment returns and ultimately, your retirement savings. See "Understanding your investment options" on page 7 for more information on the options available.

QUICK
CLICK

Use the "Future Super" calculator on the NGS Super website. You can play around with different investment options and rates of return to see the effect a one or two percent difference in investment earnings can have over the long-term.

4

Are you covered?

Most people insure their house, contents and car but don't have adequate cover to protect their future or their family's future. If you can't work as a result of ill-health or an accident, income protection insurance can provide you with up to 75% of your regular income.

Do you have enough death and total and permanent disablement (TPD) insurance? Not only does NGS Super give you flexible insurance options, our premiums are exceptionally low. As a testament to our outstanding value for money, NGS Super recently won Money magazine's Best of the Best Award for "Best Value Insurance in Super."

QUICK
CLICK

Get an instant insurance quote by using the Insurance calculators on the NGS Super website.

5

Making the most of super tax advantages and other benefits

Consider the tax-effective strategies and benefits that super offers. Of course, seek assistance from a qualified financial adviser or tax adviser who can show you how these may apply to your situation:

- If your spouse doesn't work or is a low income earner, you may be able to make super contributions for your partner. This could qualify you for a tax offset.
- If you have reached your preservation age and are still working, use a transition-to-retirement pension combined with a salary sacrifice strategy to really boost your super savings.
- Explore contribution splitting with your spouse, if they are a low income earner.
- Consider how benefits such as the Baby Bonus, First Home Owners Grant, dependent spouse rebate and private health insurance rebate apply to you.

Action points

- ☆ Seek financial planning and taxation advice about your own situation.
- ☆ Call 1300 133 177 to make an appointment or to speak with an NGS Financial Planner.

- **Use your savings to reduce your debt:** it's important to keep some savings aside. If you are paying more interest on your debt than you can earn with any short-to-medium term investment, then you are losing money. Think about ways you can use your existing income to reduce your debt so you're paying less interest.

Set savings goals and put something away regularly

Get into the habit of saving. Even if you put only a small amount aside, consistent saving adds up over a long period of time. Setting a goal can help focus and motivate your efforts. It may be a holiday, a new car or just the peace-of-mind of having some savings behind you. Take a look at your options and compare the rates that various savings accounts offer.

Set a budget so you know what's coming in and going out

A budget is the first step towards making your money work for you. Setting a clear and accurate budget helps you identify your spending habits, recognise potential areas for savings and point you in the right direction to achieve your financial goals. Understanding where your money is going can help you maintain good budgeting habits for the long term.



To get started, download a free budget planner from the Understanding money website, www.understandingmoney.gov.au

Log onto the NGS Super website and visit our learning centre. The modules Good Debt, Bad Debt and Managing Your Money have great tips, worksheets and planners.

6

Free money - get your co-contribution

If you're a low- or middle-income earner and you make after-tax contributions to super, you may be eligible for the Government's co-contribution. By making after-tax contributions to your super, you can get up to 100% return on your money! Now that's smart saving.

If you earn less than \$61,920, you can make a combination of before-and after-tax contributions, to gain tax advantages and the co-contribution!



Use the "Extra contribution" calculator on the NGS website to estimate your Government co-contribution.

Day-to-day savings tips

There are some small things you can do day-to-day to keep your money under control. It's said that if you take care of the cents, the dollars will take care of themselves.

These quick savings tips can help:

- Take your lunch to work every day and you can potentially save up to \$1700 a year.
- Save your petrol docket to receive the discount and try to fill up on Tuesdays when the petrol prices are cheaper. Better still, check out the public transport timetables or walk to destinations whenever possible.
- Don't succumb to retail therapy. Think about your purchases carefully before you buy them and assess whether you really need them.
- Be disciplined with your grocery shopping. Use a shopping list to make sure you're not tempted by expensive impulse buys.



There are a host of modules that deal with budgeting, money tips and setting up a financial plan in our "Take control of your finances" program on the NGS Super website – www.ngssuper.com.au Check them out!

7

Take control of your debt

Having a mortgage, personal loan or credit card is a useful way to leverage the funds you have. But keeping your debt under control means you don't waste money on additional fees or interest payments. This is especially true for credit cards, where you can avoid interest payments by paying off the full balance each month.

Ways to manage your debt include:

- **Consolidate your debt:** if you have more than one loan or credit card, you may be able to negotiate one consolidated loan. This is particularly useful if the interest payments on the new loan are lower. Do your research on consolidation loans to make sure you are saving money and not paying more in the long run.

Busting the financial planning advice myth

A common myth states that you only need financial planning when you have a lot of money to invest. Another says that financial planning is difficult and expensive. Here we seek to bust those myths.

What is financial planning advice?

Financial planning advice helps you make decisions about your hard-earned money and how to get the most out of it, regardless of how much or how little you have. A financial adviser helps you consider your personal financial situation, your goals or needs, and then recommends a financial strategy designed just for you.

What value can be gained from getting advice?

Financial planning is about building a framework for your personal situation and needs now and in the future. Getting good advice can help you make the most of available financial opportunities and choices, giving you a sense of control and, more importantly, peace of mind.

On the flip side, not getting good advice may lead to missing out on opportunities. This may be paying too much tax or not claiming benefits for which you are eligible. Another risk may be not having enough insurance cover for your or your family's needs.

While there are costs for getting advice, research suggests that over the long term, the financial benefit of getting advice can outweigh what you pay for it in the first place.

Make the most of NGS Super's financial planners

NGS Super is now pleased to provide you with financial planning services through NGS Financial Planning, located in NSW and South Australia, and regularly servicing Victoria and ACT. You can make an appointment to meet with an adviser or speak to them over the phone.

You may want advice about a single issue, for example, how much insurance cover you need or how to invest your super. Or you may want a financial plan to build your wealth with specific goals in mind. Our planners can work with you to determine a plan that suits your stage of life, and your goals and priorities for now and over the long term. All recommendations and advice are given to you in writing.

What does NGS financial planning cost?

The cost of any advice will depend on the complexity of your situation and how detailed your advice will be. You are entitled to an initial consultation and single-issue limited advice as part of your NGS Super membership. You can receive additional financial planning advice on a fee-for-service basis. Your planner will give you an outline of all costs before you agree to proceed, so you know the costs involved from the start. If your advice is about NGS Super, you can have the cost of advice deducted from your super account. As with all our costs, we have done everything we can to keep these costs as low as possible. This table shows our costs.

Type of service	Cost
Initial consultation about a financial plan	FREE
Single-issue limited personal advice for NGS Super-related issues	FREE
Simple financial plan	\$700
Standard financial plan	\$1400
Complex financial plan	\$2100
Implementation of advice	FREE
Plan review/additional advice	\$220 per hour

Please note that you can also get single-issue limited advice from our new telephone advice service from 1 November 2009 and from the NGS Super Relationship Managers (further details of when this service will be available will be announced on our website) and your request for advice will be directed to the most appropriate NGS Super representative. We reserve the right to review our advice policy and structure as needed.

Action points

- ☆ Take advantage of your free one hour initial consultation or your free single-issue limited advice with NGS Financial Planning. To make an appointment or to speak with a planner call **1300 133 177**.
- ☆ There are two great online modules in the Taking Control of Your Finances program located on the NGS Super website – www.ngssuper.com.au. They are:
 - "Financial planning – getting started"
 - "A plan for life".



Meet our financial planners



KEN WHITTON has been providing financial advice for over 10 years. Having worked in both the public and private sector, he understands super inside and out.

Ken operates from our NSW office and is available for:

- telephone advice for all members, and
- face-to-face meetings in NSW and ACT.



GRAHAM O'DONOHUE joins NGS Financial Planning bringing over 15 years of experience in financial services, having provided advice to hundreds of members.

Graham operates from our SA office and is available for:

- telephone advice for all members, and
- face-to-face meetings in SA and VIC.

Understanding your investment options

Although investment market performance is out of your control, you can control how your super is invested. NGS Super provides 11 investment options, giving you the flexibility to decide for yourself which one or more investment options will help you to achieve your financial goals.

We've prepared a number of questions and answers to help explain the differences between the investment style and risk/return characteristics of the investment options offered by NGS Super.

What are growth and defensive investments?

Each NGS Super option has a different combination of asset classes in which it is invested, for example shares, property, fixed interest, infrastructure, private equity and cash. These asset classes have different risk/return characteristics - those with less risk are defined as 'defensive' assets, whereas those with higher risk are 'growth' assets.

Defensive assets

Defensive assets are generally used to protect your investment from the effects of a negative return. They include cash, fixed interest and some forms of property. The returns that these asset classes produce generally remain more consistent over the long term however they tend to be lower than returns delivered by growth assets.

Of NGS Super's investment options, seven include defensive investments, with the Cash and Diversified Bonds options consisting entirely of defensive assets.

Growth assets

By contrast, growth assets are likely to experience greater variation in their returns from year to year, as we have seen recently, but have the potential to grow significantly over the long term. Nine of NGS Super's investment options are invested in growth assets (shares, private equity, infrastructure and some forms of property) to varying degrees.

What is volatility?

Volatility refers to investment risk and the possibility that the value of your investment may fall or vary over your investment timeframe. History has shown that over the long term, growth investments have delivered significant increases in value despite large variations in returns. So these investments are deemed to be more volatile. It is best to remember that the greater the investment in growth assets, the higher the likelihood of a negative return in the short term.

What does this mean for NGS Super's investment options?

NGS Super's investment options have risk characteristics that indicate how 'risky' or volatile they are likely to be during any given year. For instance, the Diversified option, which is the default option, is a medium-to-high risk investment with a one-in-five chance of a negative return in any given year. By contrast, the Diversified Bonds option, a low-risk option, has a one-in-ten chance of a negative return in any given year.

When choosing an investment option or a mix of options, you need to determine your level of comfort with the associated risk and possibility of negative returns, and offset that against the degree of growth you would like to gain. Then select the option that best matches your needs.

What action should I take when returns are low?

Many investors have reassessed their chosen investment option particularly in response to the recent market downturn. However, if your investment choice is based on a sound financial plan and your circumstances haven't changed, sometimes taking no action is the best course of action. Whilst the investment value of your super may have gone down, it has only decreased "on paper" and when markets recover, as they always have in the past, so too will your super.

A financial adviser may be able to help you

Before making any changes to your super, it may help to talk to a financial adviser. To speak to an NGS Financial Planner or to make an appointment call **1300 133 177** between 8am and 6pm (EST) Monday to Friday.



Action point

- ★ For detailed information about each NGS Super investment option, their risk profile and asset mix, please read the relevant Product Disclosure Statement (PDS) on our website.

News in brief

Federal Budget 2009: small change but with long-term effects

In May 2009, the Government handed down its Federal Budget. Many expected the Government to make a number of significant changes to Australia's superannuation system. Yet, while only a few changes were made, these small changes may have far-reaching consequences in the future.

Action points

☆ It is your responsibility to monitor your contributions to ensure you don't go over the relevant limit each year. You may be penalised if you exceed the limit. If you have a transition to retirement pension and sacrifice large amounts to your super, you may need to be especially careful. You can easily monitor contributions on line. To register for Member Online ring 1300 133 177 or email administration@ngssuper.com.au

☆ Depending on your situation, you may want to review your super contributions to be sure you make the most of the changes. A financial adviser can help you.

Action points

☆ If you would like to speak to someone about your super, NGS Super Relationship Managers are located in our offices around Australia. They can also make school visits on request. For more information visit our website: www.ngssuper.com.au/school-visits-members/.

☆ These changes may affect your retirement plans. Speaking to a licensed financial adviser may help you to make sense of these changes in the context of your personal situation and retirement needs.

Changes to superannuation limits for before-tax contributions

From 1 July 2009, the Government lowered the limits on before-tax contributions for those over 50, from the planned \$100,000 to \$50,000 and from \$55,000 to \$25,000 for those under 50. From 1 July 2009, the limits will be indexed annually, and from 2012, the \$25,000 limit will apply to everyone, regardless of age.

Before-tax contributions – also called concessional contributions – are any contributions your employer makes on your behalf including any salary sacrifice contributions.

This is an important change, so what does it mean for you? The change to the before-tax limit means you may find it harder to make large before-tax contributions in the lead-up to retirement. It is important to remember, however, that the after-tax contribution limit remains unchanged and you can still make up to \$150,000 in after-tax contributions to your super each year.

The Government co-contribution will be temporarily reduced

From 1 July 2009, the Government dropped its co-contribution from a maximum of \$1.50 for every dollar contributed after tax to a maximum of \$1.00 for every dollar. The table below shows the reduction and its return to current rates over the next five years.

Financial year	Government co-contribution rate	Maximum co-contribution available
2008 – 2009	\$1.50 per dollar	\$1,500
2009 – 2010	\$1.00 per dollar	\$1,000
2010 – 2011	\$1.00 per dollar	\$1,000
2011 – 2012	\$1.00 per dollar	\$1,000
2012 – 2013	\$1.25 per dollar	\$1,250
2013 – 2014	\$1.25 per dollar	\$1,250
2014 – 2015	\$1.50 per dollar	\$1,500

The full co-contribution is available for people whose assessable income is less than \$31,920 and decreases as your income increases. People who earn an assessable income of \$61,920 or more are not eligible for the co-contribution. This income range is indexed each financial year.

Salary sacrifice contributions will be taken into account when determining eligibility for some Government benefits

From 1 July 2009, any salary sacrifice contributions you make will generally count towards your income when assessing your eligibility for certain Government benefits, including the super co-contribution. This may reduce or eliminate your co-contribution eligibility. This change was announced in the previous Federal Budget and came into effect on 1 July 2009.

The Age Pension eligibility age will increase from 65 to 67 by 2023

The qualifying age for the Age Pension will increase from 65 to 67. This will be a gradual increase that will start on 1 July 2017 and will reach 67 on 1 July 2023. The following table shows how this change will work:

Date	New pension eligibility age	Affects people who were born between:	This group will reach the new pension age from:
1 July 2017	65 years & 6 months	1 July 1952 to 31 December 1953	1 January 2018 to 30 June 2019
1 July 2019	66 years	1 January 1954 to 30 June 1955	1 January 2020 to 30 June 2021
1 July 2021	66 years & 6 months	1 July 1955 to 31 December 1956	1 January 2022 to 30 June 2023
1 July 2023	67 years	From 1 January 1957	From 1 January 2024

NGS Financial Planning is now available!

NGS Super is extremely pleased to now offer financial planning advice services through NGS Financial Planning. These services are another demonstration of our commitment to help members achieve their financial goals. Our planners can help you to:

- clarify your financial goals
- set up a budget
- decide how to invest your super savings
- work out how much insurance cover you need for your family's financial security should anything happen to you
- put a financial plan in place.

As part of your membership, all members are entitled to one free session with a planner and free limited personal advice on single issues that relate to NGS Super such as how to invest your super, your contributions and insurance. If you require any additional advice, it will be charged on a fee-for-service basis. As with all our costs, we have ensured that costs for financial advice are as competitive as possible and our planners do not receive any commissions. To make an appointment or to speak with an NGS Financial Planner, please call **1300 133 177**.

More insurance choice

NGS Super's award-winning insurance cover is about to become even better! Members already enjoy some of the most flexible insurance cover available at an exceptionally low cost. Being awarded *Money* magazine's Best of the Best award for "Best-value insurance in super" is confirmation that our insurance is first-class.

From 1 November 2009, our Death Only cover will be extended to the age of 70 as part of the standard default cover – an extension of cover by five years. Your death benefit would be paid to your dependants or estate as a lump sum payment if you die while a member of NGS Super. A death benefit consists of the accrued benefit plus an insurance component if covered.

Two new Income Protection cover options will also be available from this time. Income protection cover pays a regular income of up to 75% of your salary after a specified waiting period, if you become sick or injured and can't work temporarily. As part of the standard cover, payments can continue for up to two years (if you qualify). In addition to the current cover, members can apply for this cover to continue for up to five years or until age 65.

If you ask to take up one of these options, you will need to show the insurer that you are in good health before they agree to provide this additional cover.

MOTHER'S DAY CLASSIC

The Mother's Day Classic, organised annually by Women in Super, is a nationwide community event that brings together a wide range of people, from those who have lost someone to breast cancer and those who are fighting the disease, to others who want to get fit and raise money for a worthy cause. Commencing in 1998, with just 3,000 starters, this year's Classic attracted over 80,000 people around the country - the largest participation since its inception.

Among the famous faces to compete this year were Governor-General and Mother's Day Classic Patron, Ms Quentin Bryce AC, Deputy Prime Minister, Julia Gillard, Deputy Federal Opposition leader, Julie Bishop, Jane Flemming, Shelley Craft, Corinne Grant, Duncan Armstrong, Lisa Wilkinson and Melinda Gainsford-Taylor.

NGS Super sponsored the prize for the largest school team in South Australia. For the second year in a row, St Brigid's Primary School in Evanston took this prize – congratulations! To date, the Classic has raised around \$5 million for the National Breast Cancer Foundation to fund its research into the prevention, detection and treatment of breast cancer.

Thank you to all our members who took part in making the 2009 Mother's Day Classic an overwhelming success.

Fee changes effective from 1/11/09

- The buy/sell spread will be removed. This means that members will not incur the spread when purchasing units in any investment option, either through new contributions, transfers or when changing their investment mix. The \$30 fee for changing investment options will still apply if applicable.
- The weekly fee for inactive members will increase from \$1.15 to \$1.25. This means that all NGS Super members will pay the same low weekly fee irrespective of whether contributions are being paid.
- The cost of making a contribution split from your super account to your partner's account will be \$30, the same cost as the benefit payment fee.

Action point

- ☆ Further information will be on our website, closer to the introduction of the new options.





KIDS and money

Teaching your children good money habits early can help them to manage their finances responsibly later in life.

Children often learn the value of money and the importance of saving by watching their parents. They see you buy groceries and clothes, for example, and probably understand money is needed to buy tangible things. But, do they know money also buys utilities like water and electricity and pays for your family holiday? Do they really understand the value of money? Do they even know where it comes from?

The simplest way to teach your children about money is to give them the right hands-on experience from a young age.

Here are a few simple ideas to teach children that money doesn't grow on trees:

Reward your children for doing jobs around the house

Help your children understand the effort it takes to earn money by having them do jobs around the house. Create tasks outside of their day-to-day activities for which they can earn extra money, for example mowing the lawn.

Give your children pocket money

Giving your children pocket money lets them practise saving and spending their own money. It's also important to bear in mind that losing money is part of the lesson most children need go through in order to be more careful in the future.

Teach the benefits of saving

Children often get excited when they see something they really want, like a particular toy for example, and have a tendency to 'impulse' buy. Remind your children that if they really want something, they have to wait until they have saved up for it. This is a lesson that will benefit them greatly later on, especially when you realise Australia's credit card debt currently totals more than \$45 billion!

Learning to conserve household energy

Teaching your children to conserve household energy is another good way to help them understand the value of money. Children should appreciate that it costs money to run the water for a bath or turn on a light. And at the same time as you help them understand the cost of utilities, you can also show them the positive impact saving household energy can have on the environment.

Help your children plan their purchases

Show your children how to plan and calculate the cost of buying things. If they want a particular item, take your children shopping, show them the price and then together calculate how long it may take them to save for that purchase. Compare the price of the same item in different stores. This helps them to put the value of the desired item into perspective.

Open a savings account

Help get your children into the habit of saving early by opening a savings account. By letting your children 'manage' their account by making deposits and withdrawals, they're more likely to better understand and become involved and interested in saving. Many schools offer a banking program to help children save.

Children are never too young to understand the concept of money and how to get into great savings habits at an early age. Teaching your children good money habits now, gives them an important life skill to help them be successful in adulthood.

Alex + Kim

consider their retirement options

After the initial meeting with Jo, their financial planner, Alex and Kim wanted to understand how they could best use a transition to retirement account-based pension (called a transition pension for short). A transition pension offers flexibility and choice depending on a person's lifestyle goals and super savings.

In using a transition pension, Alex and Kim have three scenarios they can consider. Do they want to:

1. reduce their working hours but keep their current level of income?
2. continue working the same hours and take advantage of the tax benefits super offers to really boost their super savings?
3. work the same hours and have access to extra income?

To help them decide the approach they wanted to take, Jo demonstrated how each scenario could work using only Alex's salary for simplicity. To establish a transition pension, there are certain requirements that they need to meet.

Firstly, they must have reached their preservation age. This is the age at which they can access their super and it depends on the year they were born. As Alex was born before 1960, his

preservation age is 55. Secondly, they would need to use their super savings to acquire a transition pension.

Alex has \$420,000 in super which can be used to initiate the transition pension. When using a transition pension, Alex must annually draw a minimum pension (2%* of his account balance for the 2009/10 financial year). But, he can draw more if he wishes up to a maximum of 10% of his account balance.

Alex can start to draw on his transition pension before he turns 60, however, he will pay tax on his pension payments, which must be factored in when calculating his pension payments. When Alex reaches age 60, his pension payments will be tax free.

In the next edition of MoneyWise, we'll see how Alex and Kim continue planning for their retirement.

* This is expected to increase to 4% in future financial years.

Scenario 1: Alex works part-time with the same income

Alex wants to continue to work but would like a few days off each week so he can ease into his retirement. If Alex moves from working five days a week to three, he can use his pension payments from the transition pension to make up the decrease in his take-home pay, so his cash flow remains at the same level. Additionally, Alex will still contribute to his super through his 9% employer contributions.

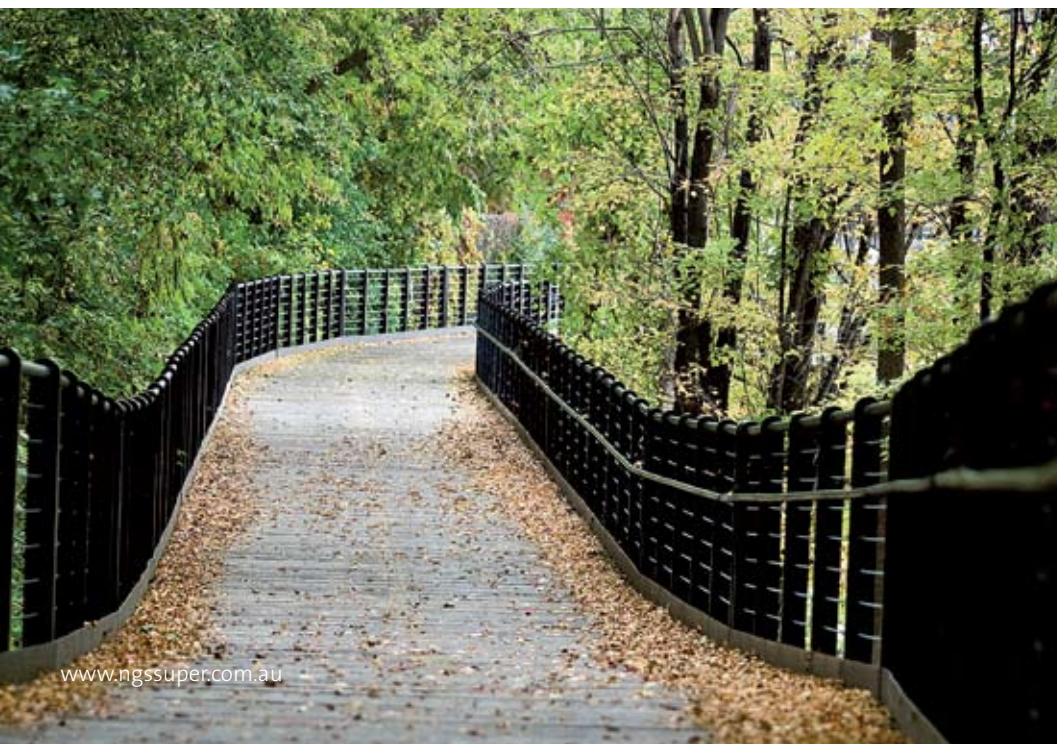
Scenario 2: Alex works full-time and draws on his transition pension for extra income

If Alex continues working full time but wants access to extra income, this option may be more suitable. Using a transition pension, Alex could withdraw pension payments up to a maximum of \$42,000 a year to give him additional income. Again, his 9% SG contributions will continue to be paid into his super.

Scenario 3: Alex works full-time and boosts his super

This final scenario allows Alex to give his super savings a significant boost while his working hours and level of income remain the same. By making before-tax (or salary sacrifice) contributions to his super, which are taxed at 15% rather than his marginal tax rate of 38%, Alex can take advantage of the available tax benefits. However, he will need to ensure his total before-tax contributions don't go over the annual \$50,000 limit or he will be liable for significant additional tax on the excess. He can use payments from his transition pension to supplement the income he sacrifices to his super.

Having explored the flexibility and choice offered by a transition pension and understanding how each scenario might work for them, Kim and Alex consider the option that will suit their goals, personal preferences and timeframe best.



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The Association of Independent Schools
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Level 12, 99 York Street
Sydney NSW 2000

NGS Super Retirement and Financial Planning Seminar

Wednesday 14 October 2009
10:00am – 12:30pm
(Registrations from 9.30am)

ADELAIDE

Adelaide Pavilion
Corner South Terrace
and Peacock Road
Adelaide SA 5000

NGS Super Retirement and Financial Planning Seminar

Wednesday 30 September 2009
2:00pm – 3:30pm
(Registrations from 1.30pm)

VICTORIA

Conference Room - Ground Floor
Suite 505
737 Burwood Road
Hawthorn Vic 3122

NGS Super Retirement and Financial Planning Seminar

Thursday 10 September 2009
6.00pm – 7:30pm
(Registrations from 5.30pm)



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