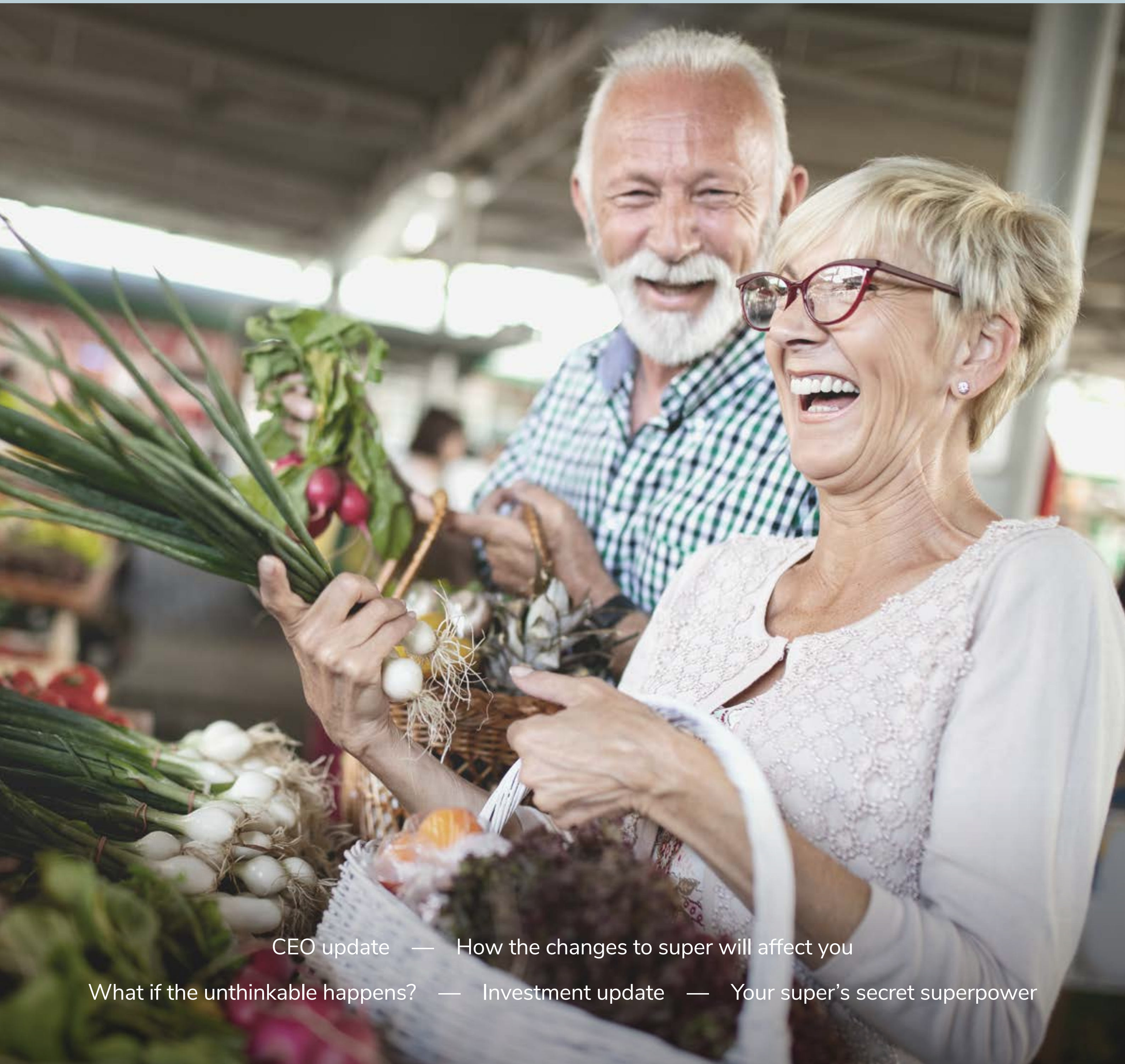
vision super

Insight

MEMBER NEWSLETTER **JUNE 2021**



CEO update — How the changes to super will affect you

What if the unthinkable happens? — Investment update — Your super's secret superpower

CEO update

The Covid-19 pandemic has continued to have a huge impact on the way we live and work over 2020/21 – and that impact will continue to be felt for some time to come.

The last year also saw some significant changes to the global political landscape, with Joe Biden winning the US Presidential election, and the Democrats gaining control of both houses of Congress – despite an attempted coup by Trump supporters. The trade war with China continued to escalate, with Australia being drawn into the dispute. The post-Brexit transition period expired, and the UK is no longer inside the EU's Single Market and Customs Union. Domestic tensions flared in the US, Israel, Belarus, Georgia, Hong Kong, Thailand and the Democratic Republic of the Congo, among others. Racial politics and climate change continued to be hot issues.

Closer to home, there is no doubt that it has been a difficult 12 months for many people: the uncertainty and isolation of lockdowns, the difficulties for councils and council workers, businesses – particularly small businesses – and growing unemployment in many sectors.

Despite the tough environment, I am very pleased to report that Vision Super has once again achieved very strong returns for our members.

> "**19.05%**
> returned to members invested in the default MySuper (Balanced growth) option for 1 year to 30 June 2021"

The default Balanced growth investment option where most members (including me) are invested, achieved a return of 19.05% for the financial year ending in June 2021. This is one of its highest ever annual returns, underpinned by strong increases in the prices of riskier assets such as shares. We increased exposure to shares toward the end of 2020 and in early 2021, as we believed the market would continue to go up. Shares then experienced very strong gains, which boosted returns for most of Vision Super's options – a combination of strong investment markets and smart decision-making.

According to SuperRatings Vision's Balanced growth default fund return to the end of June 2021 was ranked 12th in the survey of the top 50 default funds (survey of SR50 MySuper Index options). While the performance over the year is important, we tend to have a medium-term focus, because that's what counts for our members. In the same SuperRatings survey, our three year return was ranked 5th, over five years 3rd, over seven years 8th, and 8th again over ten years. Over the last ten years the Balanced growth option achieved an average annual return of 9.0%. I am extremely pleased with this result, as it represents an excellent outcome for our members.

Along with the returns generated for our members, I am very proud of the way that our Vision Super staff have quickly adapted to working from home on several occasions – particularly the way we've been able to maintain our very high member and employer service standards from home. It reflects staff being flexible and remaining member and employer focused.

At the time of writing, we are still living with the uncertainties associated with Covid-19. The Vision Super team is currently working from home and will continue to do so until it's safe to return to the office. When we are home, we're still available when you need us – the Contact Centre is available during normal business hours, both on the phone and by email. If you need more in-depth help with your super or financial planning, our planners can help you via phone or video conferencing.

While the outlook is far from clear, we hope that vaccinations will eventually allow the world to return a more "normal" state, where concern about the virus is no longer front of mind. I wish you and your loved ones all the best for the new financial year.

Stephen Rowe
CEO

Investors should be aware that returns may go up and down, so past returns are not a guarantee of future performance.

How the changes to super will affect you

Superannuation changes that came into effect on 1 July 2021

Superannuation is constantly changing and this year is no different with a number of changes coming into effect on 1 July 2021. Coupled with these changes are the Your Future Your Super measures which some of the biggest changes ever to be made to superannuation, which have come into effect this financial year.

The changes include annual performance tests for MySuper products, with funds prevented from accepting new member money in that product if they fail the performance test two years in a row.

Your Future Your Super:

Stapling

The Your Future, Your Super package's "stapling" measure means that from November, if you change jobs, your employer has to find your existing super account and pay into it, rather than opening a new account for you with their default fund. This means your Vision Super account should move with you if you change jobs – your account is "stapled" to you! It's designed to stop people from ending up with multiple super accounts and therefore paying more than they need to in fees.

Start date: 1 November 2021

For more details on all the Your Future Your Super changes please refer to the ATO website.

Other changes:

COVID recontribution strategy

If you took money out of your super account under the COVID early release of superannuation measures, you'll be able to put it back into your super ("recontribute") without it counting towards your non-concessional contribution cap. Recontributions can be made until 30 June 2030.

Start date: 1 July 2021

Bring-forward arrangement contributions cap

The cut-off age for accessing the bring-forward non-concessional contributions cap has increased from 65 to 67 years. This means individuals aged 65 and 66 who were not previously able to access the bring forward non-concessional contributions cap due to their age may now be able to do so.

Start date: 1 July 2021

New thresholds for contributions cap

There are increases to the amount you can contribute to super through either salary sacrifice or by making a non-concessional contribution.

The update to key super rates and thresholds:

- concessional contributions cap is $27,500, up from $25,000
- non-concessional contributions cap is $110,000, up from $100,000
- the general transfer balance cap is $1.7 million, up from $1.6 million.

Start date: 1 July 2021

Financial advice

Many of these changes have already come into effect (1July 2021) and there are many ways you can make your money work harder for you – a lot of them are complex. It's always important to seek help to ensure you're getting the most out of your super. If you'd like to have a chat with us about how to best take advantage of any of these changes, call us on 1300 300 820 Monday to Friday 8:30am to 5pm.

What if the unthinkable happens?

Another financial year has passed, and with it you may have received a pay rise, thanks to your enterprise bargaining agreement (EBA) or as part of an annual review process. If you received a salary increase, and have income protection (IP) insurance through your Vision Super account, you may need to update your insurance to reflect your increased pay.

Vision Super allows you to make changes to your IP insurance without having to go through underwriting in the 60 days after a salary increase. All you need to do is log in online and update your insurance, or fill out this form and attach a letter from your employer confirming your new salary and the date you were notified of the salary increase. MLCL (the insurer) will automatically accept the increase in cover as long as it is not an increase of more than three units in a single financial year, or an increase to 16 units of cover overall (for an explanation of units of cover, you can read our IP factsheet).

Why do I need to update my insurance if I get a EBA pay increase?

It's important for you to let us know if your salary changes, because your cover is based on a percentage of your salary.

If you ever need to claim IP insurance because you're unable to work because of a serious illness, or an accident or injury, the amount you will be paid out will be either 75% or 85% of your current salary at the time of the accident/injury, or the amount you're covered for – whichever is lower. This means that if you update your IP insurance in line with your pay, you'll get the maximum you're entitled to, and we'll be able to pay out up to 75% or 85% of your income depending on the percentage you are covered for. Any amounts in excess of 75% of your income (to a maximum of 10% of your income) must be paid as a superannuation contribution to your Vision Super Saver account.

Income protection gives you peace of mind knowing that you can still cover the bills if you're hit with an unexpected illness or injury. It's designed to replace your lost income if you can't work. This is especially vital if you're self-employed or a small business owner, as you may not have sick leave or annual leave.

And if you have a family that relies on the income you earn, or have debt like a mortgage, you'll need to make payments on even if you're unable to work. Please note, waiting periods will apply.

For the further information on IP, refer to the relevant Insurance guide on our website. If you don't have IP insurance and want help deciding if you need it, speak to a financial adviser.

What do you mean by beneficiaries?

A beneficiary is essentially the 'heir' to your super savings – the person or people who will receive your super if you die. The balance you have in your account, plus any applicable death insurance payment (if you have insurance through Vision Super) makes up what we call your "super death benefit".

When you're ramping up to retire, your superannuation starts to become front-of-mind. As you get older, your insurance death benefit generally decreases, but your balance becomes more significant, so you might need to check your beneficiary nominations and ensure they're up-to-date. A binding nomination allows you to set up your estate as a beneficiary, meaning you can choose how super will be divided according to your wishes in your will.

But you might need more information on what a binding nomination is.

And with us to help you through it all, it's not too hard! Just ensure your beneficiary nomination is up-to-date, remembering that you can always change it if need be. If you've chosen to create a will, did you know you can use it to stipulate in more detail how you want your superannuation funds divided? Then you just tell us that you'd like to nominate a binding beneficiary to your estate (by nominating your legal personal representative, who is the executor of your will).

This way, Vision Super will pay your super to your estate, and it will be paid to your heirs according to your will.

But what is a binding nomination?

Binding vs non-binding (or "preferred") nominations

There are two ways to nominate a beneficiary: you can make a binding death benefit nomination or you can make a non-binding (commonly referred to as "preferred") beneficiary nomination. So, what's the difference?

A binding death nomination

A binding nomination is the formal, legally binding way to establish a beneficiary. It means that Vision Super has to pay your death benefit the way you've specified except in special circumstances such as a court order. However, there are a few restrictions and rules surrounding binding nominations.

You can only nominate the executor of your will, called your legal personal representative (so that your money goes to your estate), your spouse, children or someone in an interdependent relationship with you, and you must nominate your beneficiary by filling in a nomination form, signing it, having it witnessed, and posting us the original (not a photocopy).

Your nomination is valid for three years from the date you signed the form, and to change a binding death benefit nomination, you'll need to send us a new form. Sounds like a lot, but it's a binding legal document and these measures are in place so you have peace of mind.

A non-binding/preferred nomination

You can nominate a non-binding beneficiary easily, by logging into your Vision Super account or by filling out a nomination form.

The process of nominating a non-binding beneficiary is simpler since you don't need witnesses, but your nomination is only a preference and is not a binding legal document. This means that Vision Super can legally distribute your death benefit funds differently from the way you have nominated, particularly if you have dependants. Your nomination can also be contested if someone believes they have a stronger claim to your funds.

Financial advice

There are many aspects of super that can be complex, such as insurance and beneficiaries, and most of us aren't experts. If you're confused about how much insurance you need, or how to set up a beneficiary, let us help – generally this financial advice on a single super topic comes at no extra cost to our members. If you'd like to have a chat with us about how to make your savings grow, call us on 1300 300 820 Monday to Friday 8:30am to 5pm.

The nitty gritty

Please note, if you already have 16 units of IP cover or have had an automatic increase of 3 IP units this year, you are not eligible for an automatic increase as a result of your wage increase. To check how many units of cover you have, you can log in to your Vision Super account, or check your latest statement.

Investment update

Despite the uncertainties associated with Covid-19, most of our investment options have seen strong returns in 2020/21.

Our MySuper option (Balanced growth) achieved a very strong return of 19.05%. The table below shows Balanced growth's performance over periods ending 30 June 2021. Vision Super is ranked in the top 25% of MySuper options on a one, three, five and ten-year basis by SuperRatings.

Table1:
Balanced growth performance (periods ending 30 June 2021)

	1-year	3-years	5-years	10-years
Return (annualised)	19.05%	9.23%	9.95%	9.00%
Ranking*	Top 25%	Top 25%	Top 25%	Top 25%
Rank*	12th out of 50 options	5th out of 49 options	3rd out of 49 options	8th out of 33 options

* This reflects the option's rank in the MySuper component of the SuperRatings survey.

Source: SuperRatings Fund Crediting Rate Survey-SR50 MySuper Index, June 2021

Pensions has also seen a strong return, with the Balanced growth pension option returning 21.40% for the year ending 30 June 2021.

At the start of the 2020/21 financial year, the investment outlook was highly uncertain. The world had experienced the first wave of Covid-19 and was just beginning to enter the second wave. While equity markets had increased from their March 2020 lows, they remained much lower than their early 2020 highs. Importantly, global and Australian policymakers had moved quickly to provide cashflow support to businesses and households, with the aim of limiting the damage from the virus until vaccines could eventually be deployed.

Policy support helped to stabilise investment markets and allowed investors to become more confident about the future, even though the near term remained very uncertain. One key aspect of policy support was central banks cutting short-term interest rates to very low levels. For example, the Reserve Bank of Australia cut its rate to a record low of just 0.1%.

Even though Covid-19 in its various manifestations created considerable uncertainty, equity markets and riskier assets in general experienced exceptionally strong gains during the financial year – see the chart of the US equity market opposite. Initially the share gains were greater in those sectors that were expected to benefit from the pandemic (eg Amazon, because of increased online shopping). Once vaccines began to be approved (in late 2020), the relative performance of the economically sensitive stocks (eg banks) improved.

Another key development during the financial year was the US Democrats gaining the presidency and power in both Congress and the Senate in the world's largest economy. This was important as it provided the platform for exceptionally large US fiscal stimulus packages. These packages underpinned very strong global growth in the 2020/21, along with the deployment of vaccinations, particularly in the developed world.

As Covid-19 remains a material issue for investors, the investment outlook remains very uncertain. Our central case is that strong growth underpins further moderate gains in the price of riskier assets such as shares over the next 12 to 18 months. A key downside risk is that higher US inflation is more persistent than we expect, causing interest rates to rise sharply. There is also the possibility that the effectiveness of vaccines falls materially at some stage as new variants of the virus become dominant. On the upside, if inflation is well controlled and growth is stronger than we expect, the investment environment could be more favourable than our central case.

Over the next 10 years or so, we anticipate that investment returns will be materially lower than those achieved over the last decade This is because the valuations of riskier assets are generally quite high currently.

Investors should be aware that returns may go up and down, so past returns are not a guarantee of future performance.

Your super's secret superpower

How making small changes now to your superannuation contributions can make a large difference later.

The 'super' power of compounding

You may have heard of compounding, but what is it exactly and how does it impact your super balance?

Compounding is one of the keys to successful saving – it's returns on returns, or earnings on earnings. Generally, we're not allowed to touch our super until preservation age, so the magic of compounding is left to do its work over many years – with employer and voluntary contributions accruing and our investment earnings all adding up to create savings for our retirement.

Compounding needs a base to work from, and our early working years currently provide this in the form of superannuation guarantee contributions. So how does it work?

More time invested, more money

When you invest a lump sum, over the year it earns a return. At the end of the year, your return is added onto your lump sum. The following year you accrue a return on both your initial lump sum and the return from the first year (assuming it is positive). In general, the cycle continues as your money grows. The earlier you start, the more time your returns have to compound, and the bigger your balance grows.

How can compounding benefit me?

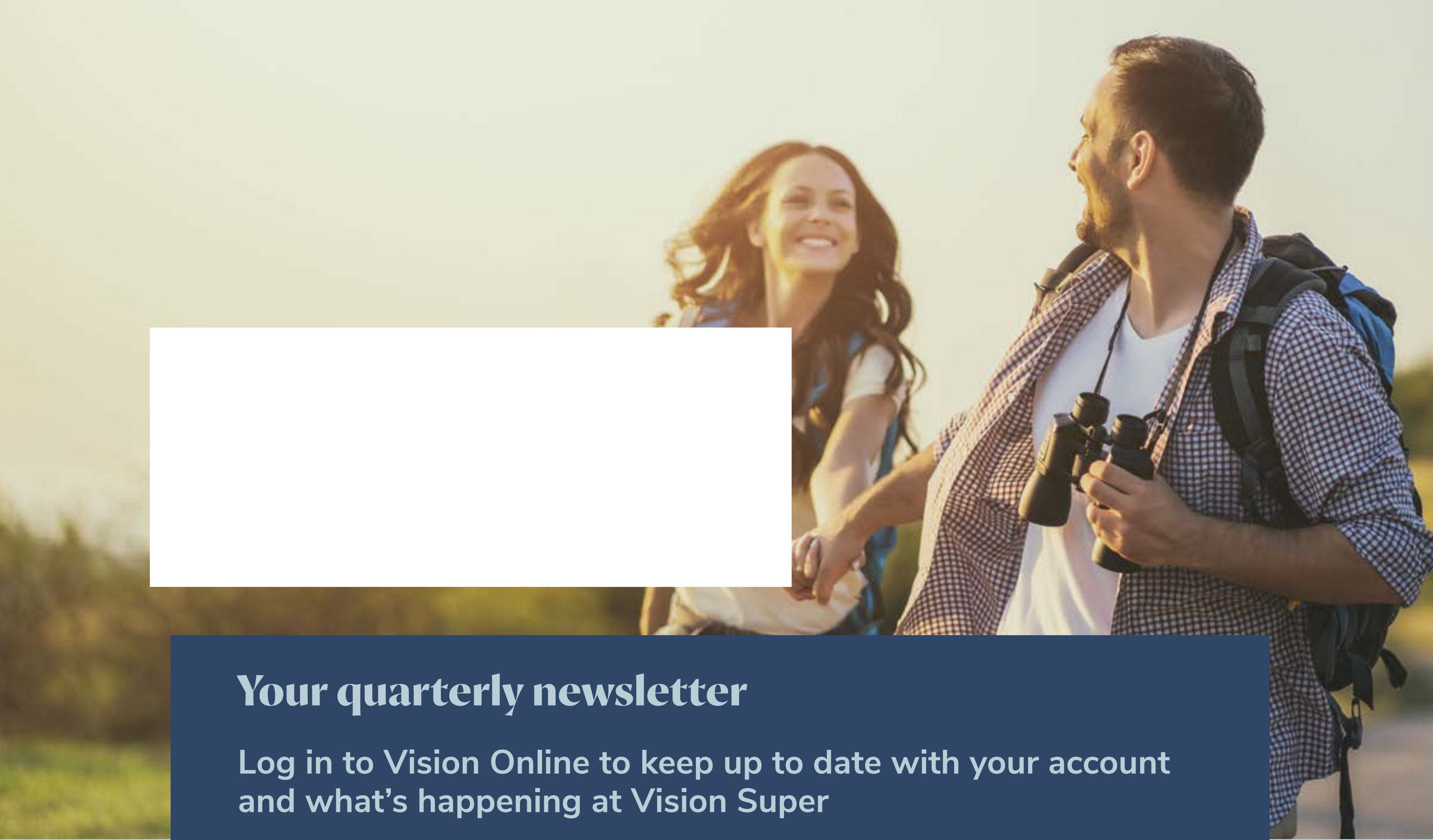
Super is a lifetime investment, which is why compounding works so well in your super. You can't generally draw on your super until later in life, so your savings benefit from many years of the compounding effect on your investment returns.

Try MoneySmart's compound interest calculator to see how compounding could work for you.

We can help

In order to harness the benefits of compounding, money needs to be invested for long periods. Given this, you may want to increase the amount you contribute to super via personal contributions or salary sacrifice – and the government provides incentives for you to do this. Which option will work better for you depends on your income and your personal circumstances – we can help you work out which one to choose.

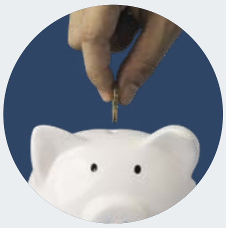
If you need help, contact our Member Services team on 1300 300 820 Monday to Friday 8:30am to 5pm.



Your quarterly newsletter

Log in to Vision Online to keep up to date with your account and what's happening at Vision Super

Investment policy review



There have been some changes to the investments at Vision Super, including the objectives, timeframe ranges and asset allocations.

Find out more by looking in your PDS on our website.

Our latest annual outome assessment is in!

We have continued to provide members with strong risk-adjusted returns, while maintaining our commitment to cost consciousness, with MySuper fees remaining below the industry median.

Find out more by scanning the QR code opposite.