

TODAY'S TOPIC

Debt vs Super

Thank you for joining us.
We will commence shortly



Meet the speakers



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IMPORTANT NOTICE

Today we will be talking about general concepts and will be providing some factual information about these concepts as well as some opinions. It is important to note, this presentation contains factual information and general advice only, including information about financial products. It has been prepared without taking into account your objectives, financial situation and needs. What's right for you is something that should be considered on a one-to-one basis in discussion with your financial planner, accountant or tax adviser before making any financial decisions.

If you are not a TelstraSuper member, we cannot offer, request or invite you to purchase a financial product after this session, without your prior consent. We can, however, provide you with factual information about the benefits and features of the different superannuation products that TelstraSuper has available. If you are considering acquiring a financial product, you should obtain the relevant product disclosure statement before making a decision.

If you would like to find out more information about TelstraSuper's products, please contact us by email at contact@telstrasuper.com.au or use the Contact Form on the website to make a request about a specific product, and we will arrange for a Member Contact Centre Consultant to call you to discuss that product. Alternatively, you can call our Member Contact Centre Consultants on 1300 033 166 to ask for further information about our products.



**FINANCIAL
CONSIDERATIONS**



**CONTRIBUTING TO
SUPER**



**DEBT VS SUPER
CASE STUDIES**



**HOW
TELSTRASUPER
CAN ASSIST**



QUESTIONS



FINANCIAL CONSIDERATIONS



What to consider when deciding where to put your extra money

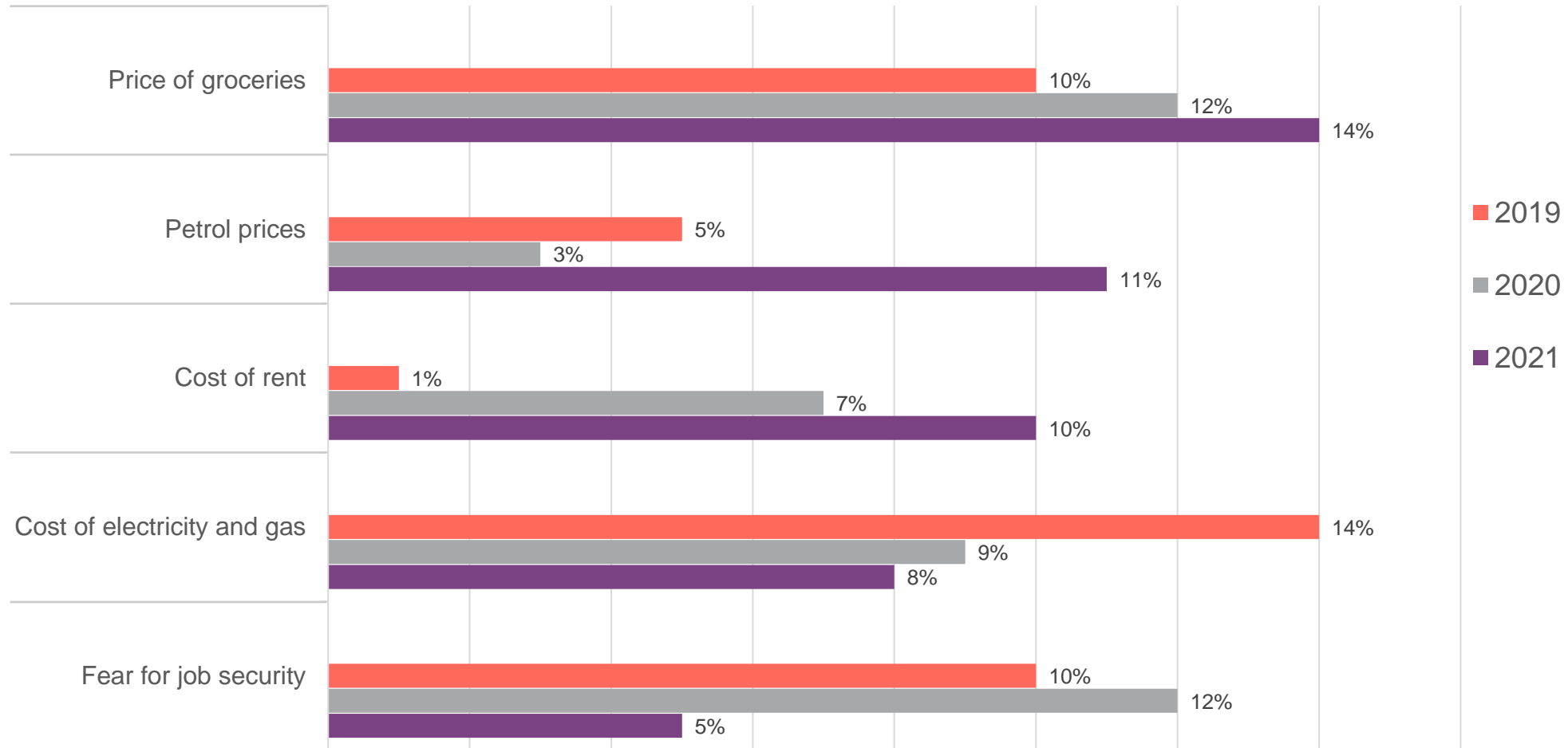
There are a number of factors you may consider when you are trying to figure out what is the best option for you.

- ✓ Your age
- ✓ How much you have already paid off your loan
- ✓ When you will need to access your money
- ✓ What makes you feel comfortable
- ✓ The interest rate on your mortgage
- ✓ The expected return on your super

Tips to reduce your debt

- ✓ Regularly review your home loan and look for a better deal
- ✓ Make additional payments on your mortgage
- ✓ Put a plan in place to reduce your personal debt

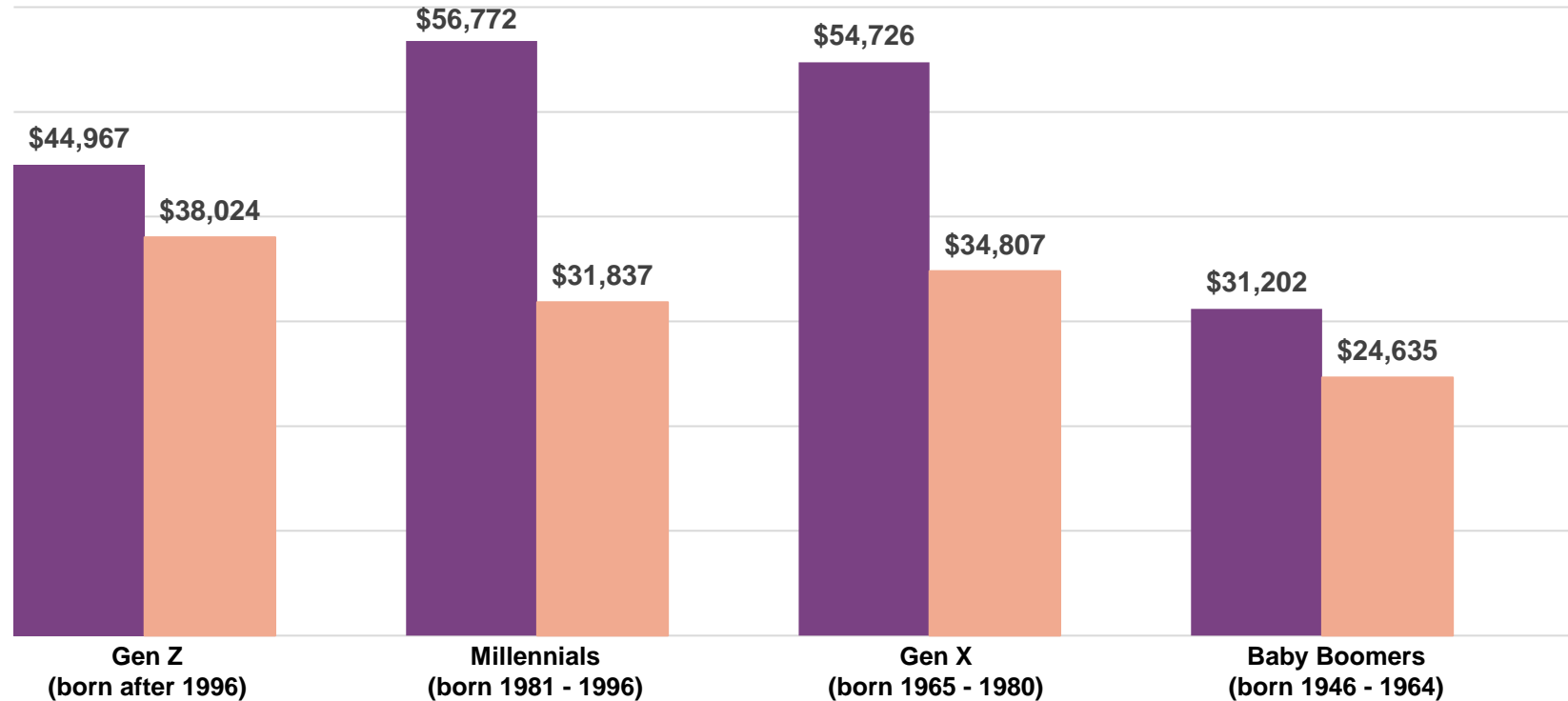
Greatest financial concerns



Source: www.canstar.com.au/consumer-pulse-report-2021/

Personal debt

Excluding a home or investment property loan, what is the total value of personal debt that you have?

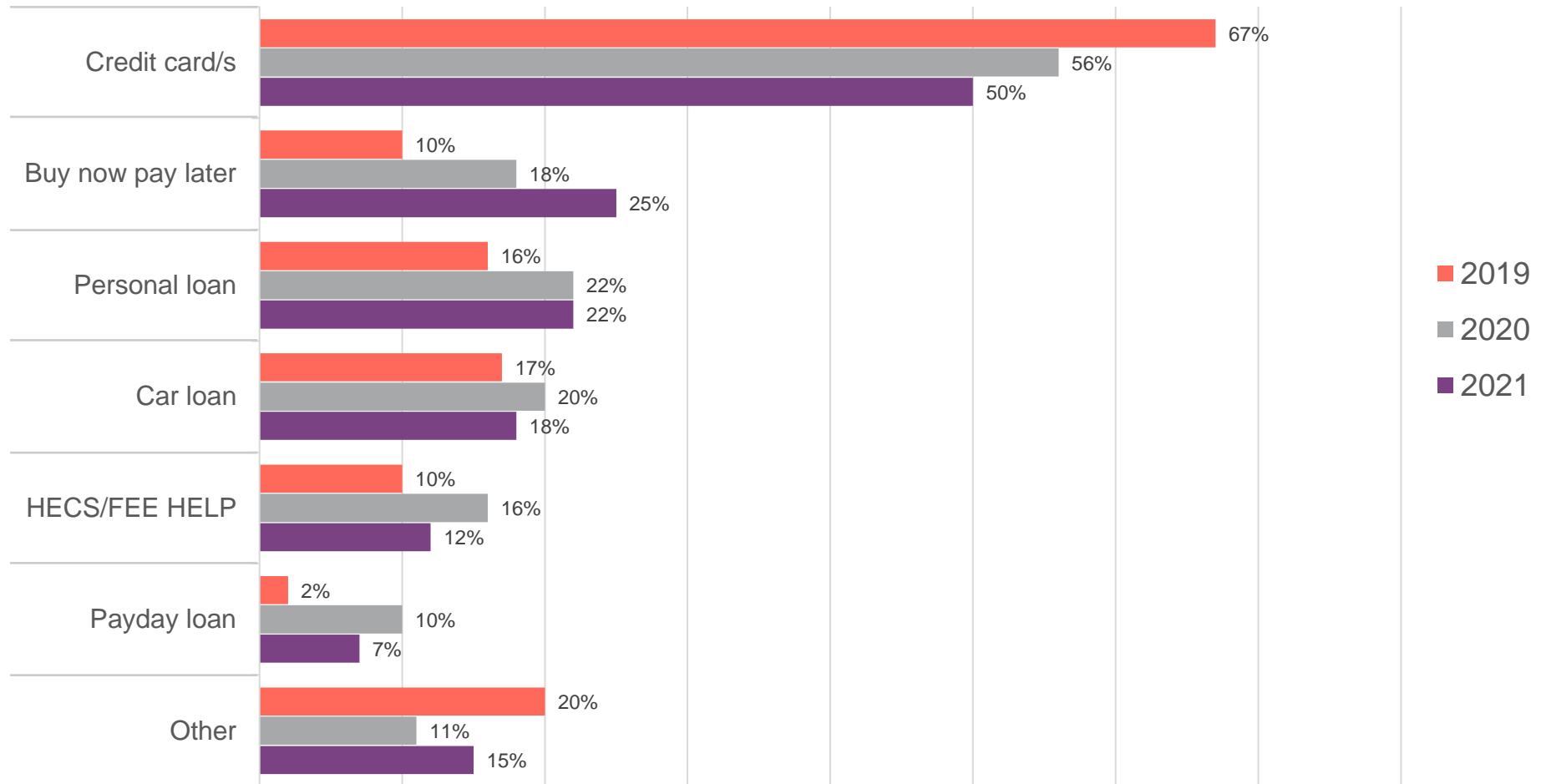


2021 average
\$46,020

2020 average
\$30,188

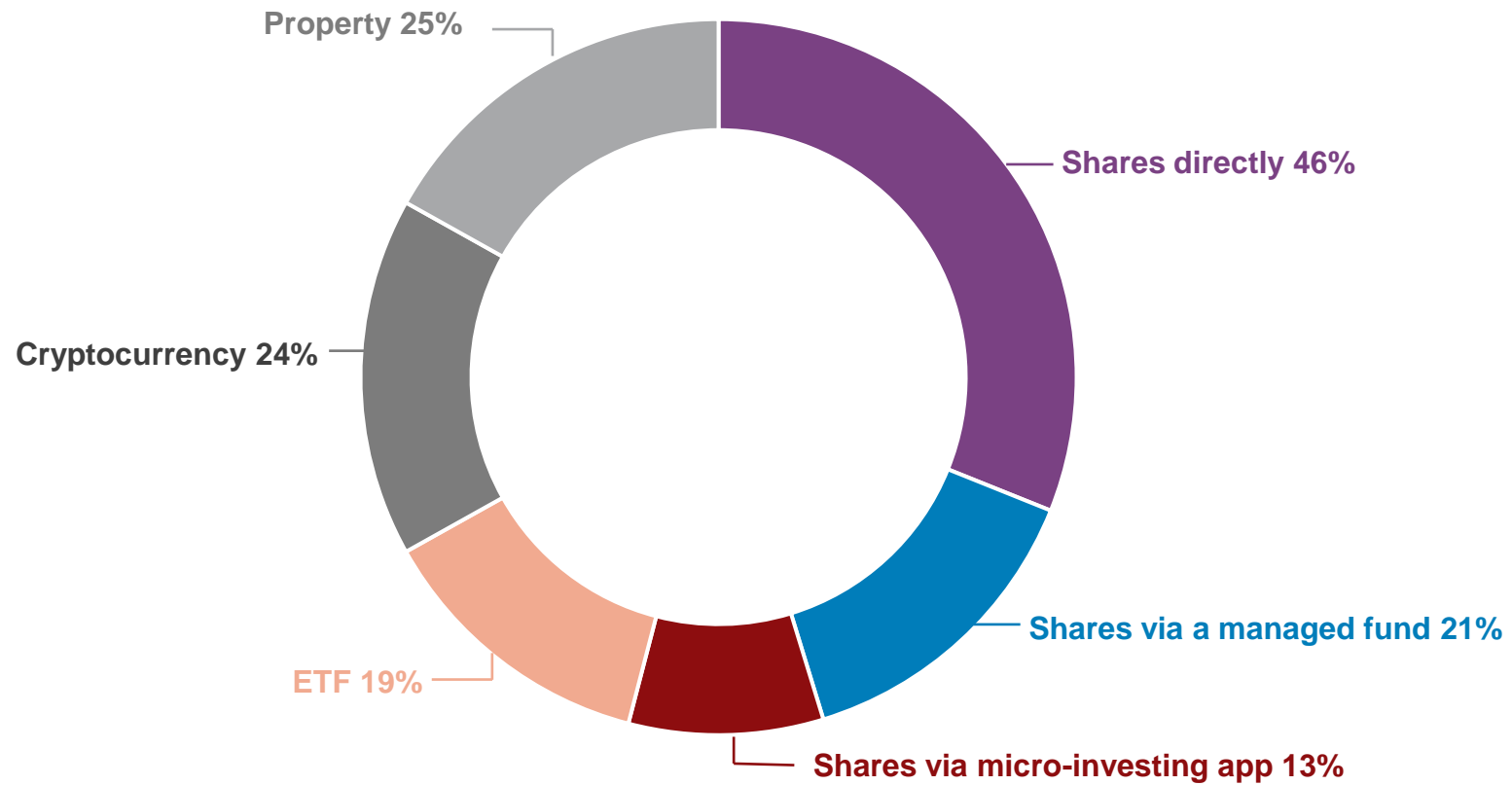
This example includes car loan, personal loan, credit card debt, HECS/FEE HELP, buy now pay later etc.
Source: www.canstar.com.au/consumer-pulse-report-2021/

What form is your debt in?



Source: www.canstar.com.au/consumer-pulse-report-2021/

First time investments in 2021



Source: www.canstar.com.au/consumer-pulse-report-2021/

Average new home loan for owner occupiers across Australia



Location	Existing home	Newly built home	New construction
ACT	\$617,384	\$454,011	\$662,667
New South Wales	\$739,414	\$677,126	\$651,361
Northern Territory	\$447,030	\$440,000	\$560,526
Queensland	\$523,392	\$495,802	\$530,665
South Australia	\$459,212	\$424,419	\$480,241
Tasmania	\$452,465	\$431,579	\$482,432
Victoria	\$638,555	\$573,190	\$580,213
Western Australia	\$464,229	\$393,750	\$511,077
National	\$596,454	\$553,921	\$563,615

Source: Australian Bureau of Statistics lending indicators, released October 2022. Existing home: A home that has been previously occupied. Newly built home: A home that has not previously been occupied. New construction: A new home that has yet to be built.

Estimated monthly repayments on an average new home loan



Location	Existing home	Newly built home	New construction
ACT	\$3,132	\$2,303	\$3,362
New South Wales	\$3,751	\$3,435	\$3,304
Northern Territory	\$2,268	\$2,232	\$2,843
Queensland	\$2,655	\$2,515	\$2,692
South Australia	\$2,329	\$2,153	\$2,436
Tasmania	\$2,295	\$2,189	\$2,447
Victoria	\$3,239	\$2,908	\$2,943
Western Australia	\$2,355	\$1,997	\$2,593
National	\$3,026	\$2,810	\$2,859

Source: Australian Bureau of Statistics [lending indicators](#), released October 2022. The calculations do not take into account all fees and charges and the results are an estimate only. Based on a loan repayment on principal and interest, paid monthly over 30 years at an interest rate of 4.51%.



**CONTRIBUTING TO
SUPER**



Super v's mortgage considerations



Super

- Increasing your retirement savings
- Concessional tax treatment
- Power of compounding returns
- Contribution caps
- Need to meet a condition of release to access money



Mortgage

- Sense of accomplishment and security of owning home outright
- Extra repayments could potentially allow you to pay off your loan faster
- You may still be able to access your money if your home loan has a redraw or offset account
- No tax concessions for mortgage repayments
- Mortgage interest rate

Summary of contribution caps



 **Pre-tax**
(concessional contributions)

Post-tax 
(non-concessional contributions)

Employer contributions, salary sacrifice, personal deductible contributions, insurance premiums paid by your employer

Contribution made from after-tax income and spouse contributions

15% tax rate

0% tax on the way in

Annual contribution cap **\$27,500**

Annual contribution cap **\$110,000[^]**

Rolling 5-year catch up

If your total super balance is less than \$500,000 as at end of the previous financial year, any unused concessional contributions cap amounts can be carried forward for up to five years before they expire.

Bring forward rule[^]#

If your total super balance is less than \$1.7 million individuals aged under 75 may be able to make up to three years' worth of post-tax contributions (up to \$330,000^{**}) to their super in a single year.

* From 1 July 2022, the work test has been removed. From 1 July 2022, individuals aged between 67 to 74 are able to make or receive personal contributions and salary sacrificed contributions without meeting the work test, subject to the existing contribution caps. However, they will be required to meet the work test to claim a deduction for personal contributions. To satisfy the work test you must complete at least 40 hours of paid work in a period of not more than 30 consecutive days in the financial year in which you plan to make non-concessional contributions.

[^] Subject to the \$1.7 million total superannuation balance cap. Individuals with a total superannuation balance of \$1.48 million or more are not able to utilise the full bring forward rule.

[#] Must be under age 75 at the start of the financial year and meet other eligibility criteria.

^{**} Once you trigger the bring-forward arrangement in a year, any change to the non-concessional contributions cap for the bring-forward period doesn't apply to you. The bring-forward cap amount is set based on the cap in the first year of the period.

Source: www.ato.gov.au/Rates/Key-superannuation-rates-and-thresholds/?page=3 | www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Super-contributions---too-much-can-mean-extra-tax/

Important contribution caps

↑ Total super balance

Includes all superannuation funds and retirement income streams

\$1.7 million

No further post-tax (non-concessional) contributions

If the total superannuation balance across all your superannuation and retirement income streams (not just your TelstraSuper account) is equal to or greater than \$1.7 million at the end of the previous financial year.

Transfer balance cap ↑

Maximum amount that can be transferred from superannuation accumulation funds into the tax-free retirement phase

\$1.7 million[^]

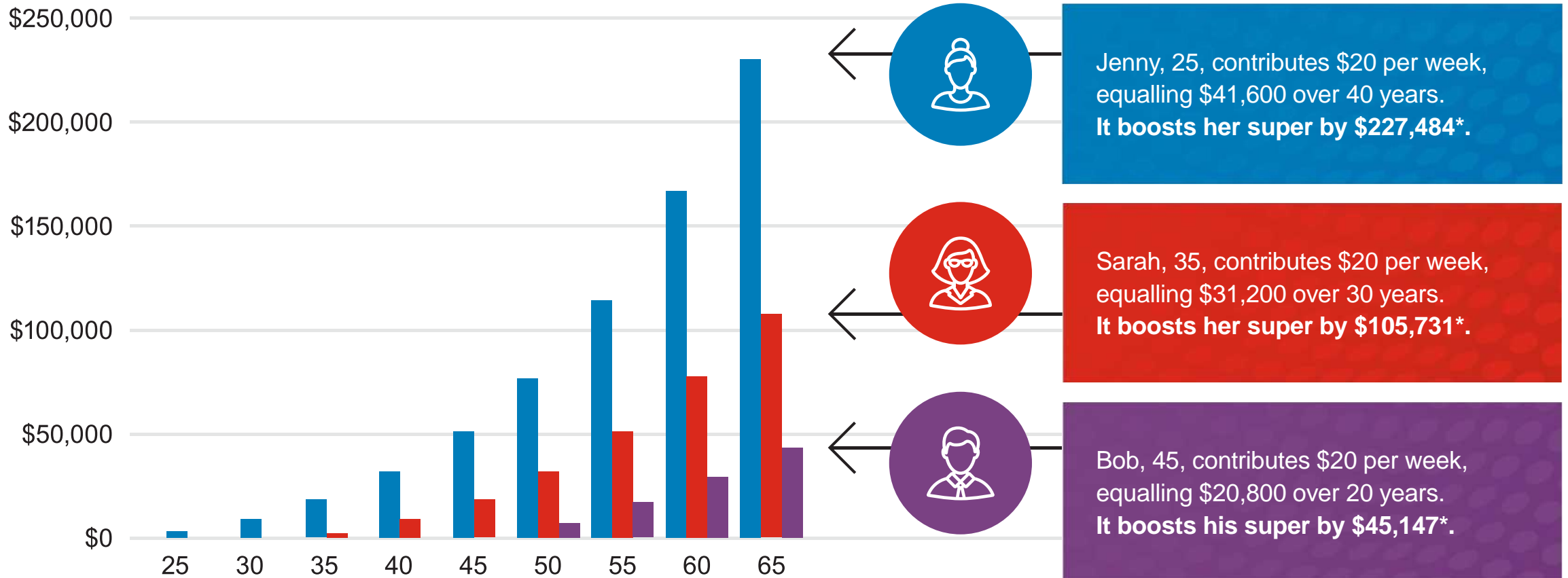
Example

John retires at age 62 with a total super balance of \$2 million. He is able to commence a retirement income stream with up to \$1.7 million[^]. John can leave the remaining \$300,000 in his superannuation accumulation account and access this money when needed tax-free as he has retired and reached his superannuation preservation age.

TelstraSuper Financial Planning has a team of phone-based Advisers who can provide you with simple advice in relation to your contributions. There's no additional cost for our phone-based advice as this is included in your TelstraSuper membership. You can contact us on 1300 033 166 or request an appointment with our online contact form. Telstra Super Financial Planning Pty Ltd (TSFP) AFSL 218705 wholly owned by Telstra Super Pty Ltd as trustee for the Telstra Superannuation Scheme (TelstraSuper)

[^]Every individual will have their own personal transfer balance cap of between \$1.6 and \$1.7 million, depending on their circumstances. If you start a retirement phase income stream for the first time on or after 1 July 2021, you will have a personal transfer balance cap of \$1.7 million. If you had a transfer balance account before 1 July 2021, your personal transfer balance cap may vary.

Maximising contributions



* Based on no initial balance, weekly regular deposit of \$20 until age 65, an investment return of 7% p.a. net of fees, taxes and other costs, retirement age of 65. Not discounted to today's dollars. Past performance is not a reliable indicator of future performance. This presentation contains factual information and general advice only. It has been prepared without taking into account your objectives, financial situation and needs. You should consider whether it is appropriate having regard to your personal circumstances before making any financial decisions. If you are considering acquiring a financial product you should obtain the relevant product disclosure statement before making any decision. Source: www.moneysmart.gov.au/budgeting/compound-interest-calculator



CASE STUDIES



CASE STUDY 1

Client situation

- Andrew, age 45, working full-time on \$100k p.a. salary and has no other forms of taxable income, aside from a small amount of dividends from his Telstra shares.
- He has \$500,000 in his super fund and has a \$200,000 mortgage on his primary residence. Andrew plans to remain in his home into retirement.
- He recently fixed his home loan rate for two years at 4.26% p.a.
- His current base cost of living is \$62,000 (including minimum mortgage repayments) and has additional cashflow (after tax) of \$13,000 to either put towards investment or mortgage repayments.
- Andrew's goal is to repay his mortgage in full by age 65 or 67 which is his desired retirement age.



Considerations

- During our appointment, we worked through Andrew's goals and objectives which we determined were to continue making minimum repayments on his home loan.
- Andrew's goal is to repay his home loan in the medium-long term, re-direct additional cashflow to super via a salary sacrifice arrangement, where he gets an upfront tax saving of approximately 17.5% on every dollar he contributes into super pre-tax (based on his current Marginal Tax Rate)
- We also considered investing Andrew's superannuation in accordance with his balanced risk profile (overall approx. 60-80% Growth assets and 20-40% Defensive assets and return objective to Outperform CPI +3% p.a.)



Outcome

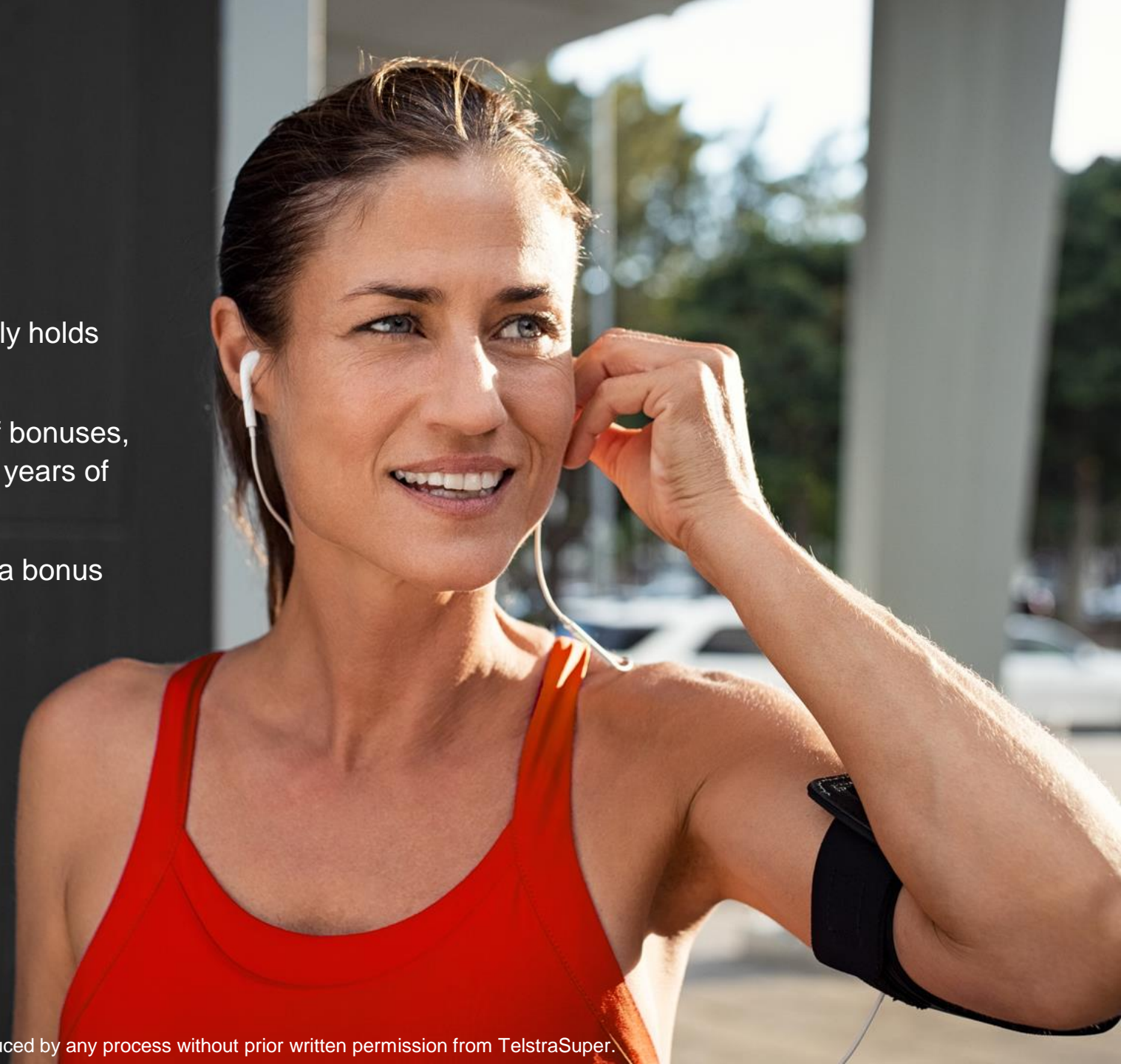
- Andrew will arrange with his employer to make additional salary sacrifice contributions to optimise his income tax thus increasing his retirement savings.
- We recommended that Andrew invest his super 100% in the Balanced fund (CPI +3% p.a.) and we will review his investment structure five years prior to his retirement. Andrew does have the flexibility to review his contribution and investment strategy if there are any changes to his situation.
- Andrew has \$15,000 worth of Telstra shares that he can draw on or sell in the event that he resigns or is made redundant, as well as emergency savings.
- By walking through this process with Andrew, we agreed to revisit his strategy once the fixed term of his home loan ends in just under two years' time. Closer to his retirement, we may consider a transition to retirement strategy to ramp up the debt repayments, depending on his situation and objectives.



CASE STUDY 2

Client situation

- Kate is 39 and is in the position that she currently holds no debt.
- Her income is \$160,000 per annum, inclusive of bonuses, and anticipates that increasing over the next 21 years of her career.
- Kate recently sold a house as well as receiving a bonus resulting in \$185,000 in the bank.
- Her current super balance is \$348,000.



CASE STUDY 2

Considerations



- After chatting with Kate, she told us that she was committed to boosting her super and wanted to have at least \$1 million in super by age 60. Kate was also really concerned she was no longer in the property market and that she was paying too much tax.
- Kate had spoken to her accountant, real estate agent and bank and knew how much she would need as a deposit for an investment property.

Outcome

- After going through Kate's circumstances, we did a plan detailing how much she would be able to put into super to fully utilise both her catch up contribution cap and annual pre-tax contribution cap. Also outlining the surplus cashflow Kate will have to pay down her investment property. Kate's exit strategy for the debt on her investment was to get it as close to being neutrally geared as possible, and then have it fully paid down at retirement using funds from her boosted super balance.
- After working out the maximum salary sacrifice amount she could contribute for the remainder of the financial year, we were able to identify how much additional money she could put into her investment property loan. This will help minimise her income tax as well as help her move towards her goal of having her investment property neutrally geared.
- We are helping Kate minimise her tax through salary sacrifice and she is working with her accountant to make sure the debt on the investment property is used effectively, especially as she would eventually like to have it close to neutrally geared. She will also stay in regular contact with her bank to ensure she remains in the most appropriate investment loan for her needs.
- Eventually, her exit strategy is to use the super she's been building in her accumulation account to fund her retirement and payout her remaining mortgage, so paying off more of her loan while also contributing to super, helps to achieve debt reduction and super maximisation.

Financial advice services to empower you

Personal financial advice on one or a few topics



STEP
it up

Low cost options

If you're wanting to maximise one or a few areas of your super or finances and need some extra assistance, an Adviser can provide you with personal advice by phone or video.

The first meeting with your Adviser is complimentary and will give you the opportunity to decide if you'd like to proceed. The cost of preparing your financial advice will be clear and, if you proceed, you'll receive advice that is tailored to your unique situation.

Receive advice on a single topic or a few topics

- Income stream set up
- Transitioning to retirement
- Investment review
- Complex super contributions
- Compare my super
- Your saving goals (budgeting and cashflow)
- Debt vs super
- Non-super investments.

The one-off advice fee ranges from \$450 to \$1,000 per topic, per person (plus GST where applicable), depending on the scope and complexity of the advice. The actual fees will be advised to you in the initial meeting.

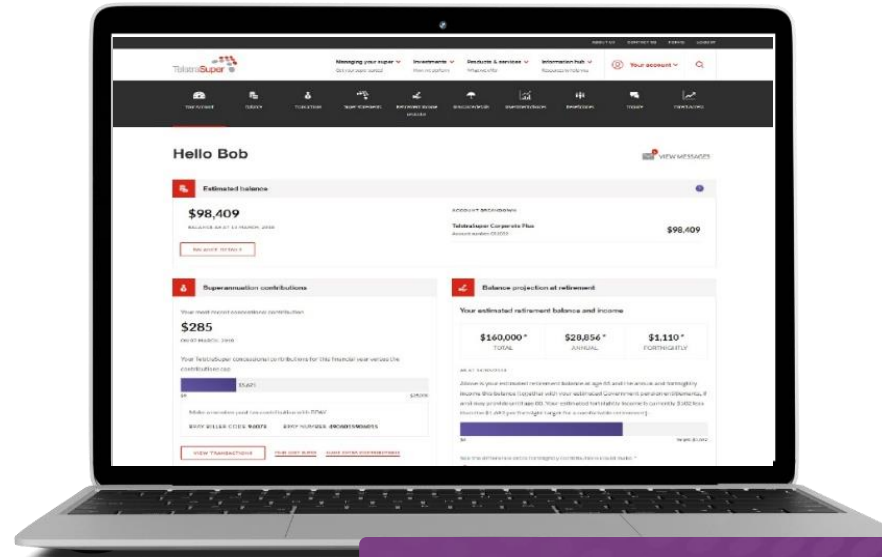


HOW TELSTRASUPER CAN ASSIST

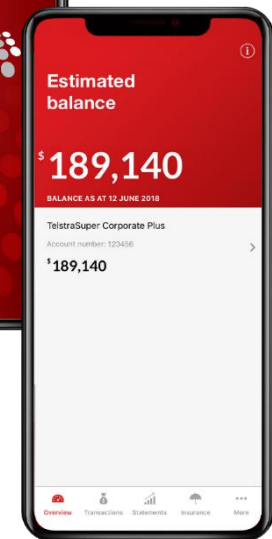


Keeping in touch with your super

- ✔ Update your email address and personal details
- ✔ Check your account balance
- ✔ Review your insurance cover
- ✔ View your nominated beneficiaries and make a non-binding nomination
- ✔ Review your investment options and investment returns
- ✔ Keep track of pre-tax contributions against the concessional contributions cap
- ✔ Review benefit statements
- ✔ View latest contributions and transactions

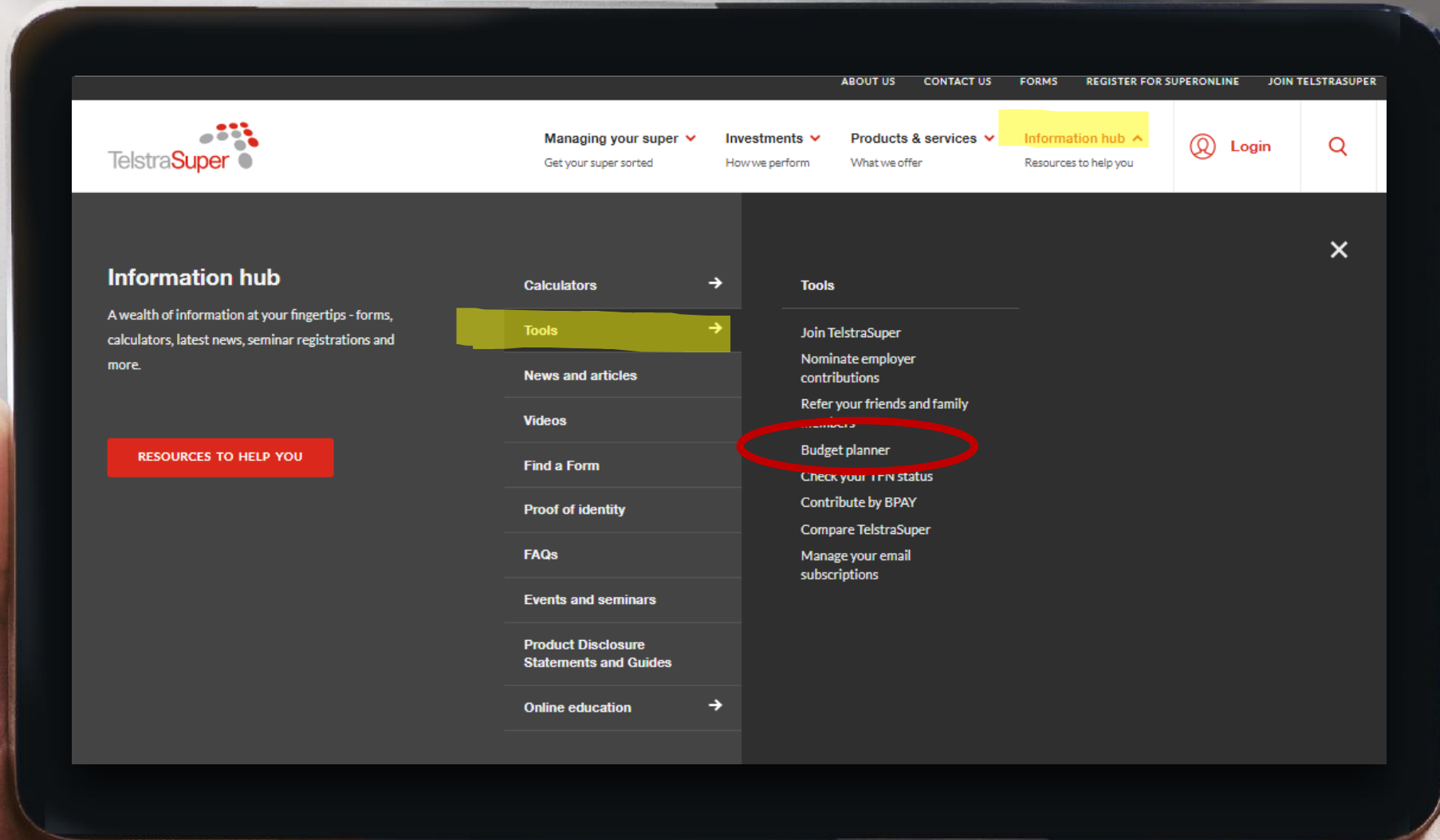


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and Apple iOS.



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Budget Planner



Retirement projector



Any advice contained in this Retirement Projector is of a general nature only and does not take into account the personal needs and circumstances of any particular individual. Prior to acting on any information contained in this projector, you need to take into account your own financial circumstances, consider the product disclosure statement for any product you are considering and seek professional advice from a Financial adviser.

Four financial advice services to empower you



SUPER *sorter*

Simple phone advice and info to max your super.

No additional cost to members



STEP *it up*

Want to take that next step with your super or finances? We'll find you a simple solution.

Low cost options



BIG *picture it*

Let's check out your whole financial situation and make a plan.

One off fee for service



STAY *on track*

Ongoing expert coaching on super and wealth. We'll nudge and encourage you, keeping you on track as life changes.

Annual fee for service

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Happy to answer your questions.



1300 033 166

8:30am - 5:30pm (Melbourne time) Monday to Friday



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