

# REI Super Bulletin 2019

From your Industry Super Fund

## Inside:

Fund overview from CEO

Investment update

Nigel Cumming's SMSF experience

Only in members best interest

Legislative update

Unlisted property delivers

Manage your super online



# A satisfying year

Investment returns are on track and performing to expectation, which is particularly pleasing in the current market climate. The balanced option where most members are invested, is achieving a 5.49% return for the year.

## Member satisfaction

Outcomes from the recent Royal Commission into the banking and finance sector have highlighted the good governance and performance of Industry Funds compared to the banking and retail sectors. This has seen significant funds rolled in to REI Super further strengthening our investment position.

Our annual member satisfaction survey was extremely positive. Highlighted by the level of comfort members have knowing we are an Industry Fund and demonstrated by how easy we are to deal with.

## Retirement with REI Super is looking good

Earlier in the year we were pleased to deliver a reduction in Pension plan administration costs, effectively reducing the cost from \$182 to \$85.80 p.a., along with the introduction of a new tailored investment option for pension members. The Premium Income option tailors your investment mix based on your age to maximise your income while balancing security and growth.

## Protecting your super

The Government rolled out new laws protecting members with low account balances. You may have seen a letter from us in your mailbox, it contains

very important information about your money and your insurance, please ensure you open and read it!

If your account is presently receiving regular contributions, then the changes won't impact you. However, if you have multiple accounts or are temporarily not working, you should check with us and make sure your super, and in particular, your ongoing insurance cover is as you need it to be.

This legislated change has unfortunately impacted on insurance premiums, resulting in an increase. However, having group insurance through your REI Super account still represents great value for money and is designed to suit a commission based salary.

## New admin contract delivers value

We're pleased to report the outcome of our recent administration contract negotiations with fund administrator Mercer. This resulted in a hold to the same level of fees charged plus the implementation of some new technology, making it super easy for members to roll in all their super to REI Super from other funds.

Since we launched our new super matching tool, we've reunited over 300 super accounts for members with a total of over \$3.8 million. We will also be rolling out a new website to members early in 2020, making it even easier to keep on top of your super.

## Binding nominations now possible

Many members have been asking for binding death nominations, and we are happy to report that we will be offering this feature to all members from 1 October 2019.

### ***What is a binding nomination and what does it mean to you?***

Nominating beneficiaries is an important part of your super account. When you do this it gives our trustees a clear indication of your wishes if you die. That said, it can be contested and trustees are then put in a position where they have to make decisions on your behalf. A Binding Death Nomination on the other hand is a legal

document that directs trustees to do exactly as you wish, no questions asked.

Look out for more detail on this change in the coming months when we will communicate more detail.

## A big thank you

This is my last report to members, as I am stepping down as Chief Executive of the Fund after 15 fantastic years working to secure the retirement savings of real estate professionals. I feel a great sense of pride at what we have achieved together, and have thoroughly enjoyed working with members and employers, and of course the board. It has been a continuing highlight to work with a dedicated board and team, with their ongoing commitment to serving members of REI Super.

Yours sincerely,

**Mal Smith**  
Chief Executive Officer



# Investment update

REI Super's Balanced Option delivered another solid investment return of 5.49% (net of fees and taxes) meeting our long-term performance objective of returning inflation plus 3% per annum over 10 years.

Pleasingly, the Balanced option recorded its 10th consecutive year of positive returns since the global financial crisis, including four years of double-digit returns.

## **Solid performance across our investment portfolios**

The 2018/19 year saw investments in Australian and international shares delivering above average returns for the year, while bond markets also provided strong returns.

Our portfolios particularly benefited from outstanding returns from our international share managers and emerging market share investments. Listed and unlisted property likewise

delivered exceptional gains during the financial year as well.

## **Looking back**

Global investment markets ended the year higher, however it wasn't all smooth sailing. With ongoing concerns over trade tensions between the U.S. and China, uncertainty over Brexit in the UK and the fall out from the Banking Royal Commission in Australia, amongst other factors, causing considerable volatility in equity markets during the year.

Mid year there was a significant dip in global equity markets on mounting evidence that global growth was slowing, raising concerns over the future earning expectations of companies.

This sentiment was short-lived as central banks around the world, most notably the U.S. Federal Reserve, indicated that the door to future interest rate cuts was open. At home we saw the Reserve Bank of Australia cut rates for the first time in 3 years.

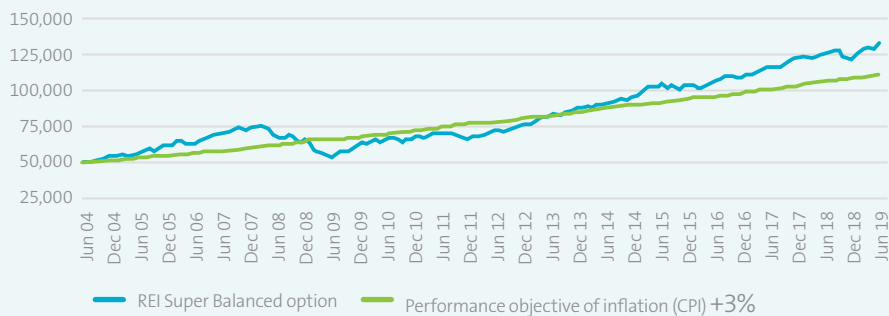
Over the final six months of the financial year, investment markets strengthened, with some equity markets pushing towards or reaching new highs. Fears that the powerhouse U.S. economy was headed for an economic recession spurred bond markets higher and saw bond yields fall to new lows in many markets.

The Australian sharemarket recorded double digit returns and was one of

the best performers for the year. Bond markets ended the year higher as expectations of lower interest rates gained momentum and this fall in bond yields was positive for interest rate-sensitive asset classes, such as global listed property and global listed

infrastructure. The significant decline in the Australian dollar versus the U.S. dollar helped to boost the unhedged returns from global investment markets for Australian investors.

### How the Balanced (MySuper) option has performed against its objective (Value of \$50,000 over 15 years)



Source: REI Super.

Note: Benefits shown in the graph are net of investment fees and tax and expressed in today's dollars. No contributions paid in and no benefits paid out. Future investment performance can vary from past performance, and you should not base your decision to invest in REI Super simply on past performance. Past earning rates are not an indicator of future earning rates. Investment returns of less than one year should not be relied upon as any guide to future performance. The investment returns of REI Super are not guaranteed, and the value of the investment may rise or fall.

### A conservative approach to the year ahead



We have seen the U.S. economy record the longest expansion in its history this year. With this mature expansion comes risks, and as growth cannot continue indefinitely, we are concerned about the impact of declining growth on investment markets, especially equities, which are vulnerable to losses from these lofty levels. Consequently, our portfolios are focused on managing the potential risk of future loss.

In recognition that many markets are now trading at prices that are higher than are warranted by underlying fundamentals, our portfolios have held elevated cash balances. These higher cash balances have caused some drag in returns given that markets have galloped higher. However, protecting your wealth from losses is critically important, and we believe it is prudent to reduce risk when the true value of an investment, or asset class, is significantly below its market price.





# Unwinding our SMSF was such a relief

Nigel Cumming shares his family's experience with self managed super and life's changes.

'We're a close family, working and doing many things together so it seemed like a good idea at the time to pool our super together in a self managed super fund.

'Little did we know how much work it would be. There are just so many hurdles with loans and investments, it's time consuming, difficult to manage and the fees take the shine off any profits.

'In real estate you are your reputation and you're on 24/7, there's more than enough to do without having to manage your super as well.'

For Nigel, after 20+ years in the business, the last nine running his own agency with wife Janette, son Dane and daughter Shannon, in a beautiful coastal town in Tasmania, it was time for change.

In fact there are big changes in life for all the Cumming family.

Nigel and Janette are ready to move into the next phase in life, slowing down a bit, making time for themselves and their passion for painting.

Daughter Shannon at the time of writing was days away from becoming a mum.

'We're all happy now, back in REI Super with our investments managed by experts.'

**Nigel & Janette Cumming**

And son Dane was ready for a break before moving on to the next challenge in his working life.

## **So how did you cater for everyone's needs in those life stages with a self managed super fund?**

'You can't!

'We sold off the investments and had to jump through hoops to unwind the fund, so much rigmarole and signing your life away, it almost drove Dane mad.

'We're all happy now, back in REI Super with our investments managed by experts.'

# Working only in members best interest

The recent Royal Commission has highlighted that there were many retail (bank/shareholder owned) super funds charging fees-for-no-service, delivering low returns, with profits eroded by greed and shareholder dividends, and found harboring many conflicts-of-interest such as providing financial advice that only recommended products that they provided.

Your industry super fund, REI Super in contrast was shown to be acting only in the best interests of members and providing strong long-term returns. SuperRatings, an agency that reviews and compares the activities of all major super funds recently awarded REI Super it's highest possible gong for governance – so you can be confident you're in a fund you can trust.

## **Our focus has been on protecting you and your future retirement**

- A new easy and quick online super matching tool was rolled out which allows us to reconnect you with any

other super accounts (lost, forgotten or otherwise) you may still have. So far we've reunited over 300 accounts and \$3.8 million back to members. Find it at [reisuper.com.au/find-combine-super](https://reisuper.com.au/find-combine-super)

- SMSF's have been a hot topic and the Royal Commission revealed that many people were ill-advised to start one. As a result we created a valuable resource for our members to help them understand the pros and cons and to help them understand whether a SMSF would be the best thing for them and their super in the long term. Visit [reisuper.com.au/smsf](https://reisuper.com.au/smsf)

- From 1 October, 2019, we will be rolling out binding death nominations. We recognise that having certainty on what happens in the event of your passing is very important for people, and REI Super feels that we can provide this for you.





## Got more than ONE super account?

### Then you're paying too much!

With more than one account you're paying additional administration costs, multiple investment fees and extra insurance premiums for cover you don't need.

Don't waste another cent, combine all your super accounts today with our super easy search and rollover tool.

Simply login to your REI Super account, search for your other super accounts and roll them into your REI Super account on the spot.

It couldn't be easier. Do it now at [reisuper.com.au/find-combine-super](https://reisuper.com.au/find-combine-super)

A woman with blonde hair, wearing a dark blue blazer over a white top, is sitting at a desk. She is holding a yellow smartphone to her ear with her left hand and a green highlighter in her right hand, writing on a stack of papers. A laptop is open in front of her.

## Legislative super update

The 2019/20 federal budget had just a few changes to super and retirement proposed in contrast to last year.

### Super to the tax office

Under the Protecting Your Super Package announced in the previous year's budget, members with \$6,000 or less in their account that have not had a contribution for 16 months or more are to have their insurance cancelled and their super balance transferred to the ATO. The aim of which is to protect members' accounts being reduced unnecessarily by fees.

Other changes include the capping of fees (to a maximum 3%) for all accounts with \$6,000 or less and the removal of exit fees.

### Proposed changes announced before parliament in this year's budget

- Insurance for under 25's to become opt in from 1 October 2019. This will require members in this age group to actively choose to have insurance as opposed to getting automatic cover. This will have implications for anyone choosing not to have insurance

when it's first offered as later on they will have to provide evidence of health to get cover.

- Changes to voluntary contribution requirements for Australians aged 65 & 66 will allow for more significant concessional and non concessional contributions to super without meeting the work test.
- Increasing the age limit for Australians to be able to receive spouse contributions to 74 (previously 69).
- Increased funding to be provided to the Fair Work Ombudsman to clamp down on sham contracting to ensure employers pay their statutory obligations, notably the Superannuation Guarantee.
- Increased funding for the ATO to police on time payment of superannuation liabilities of big business and high-wealth individuals.



# Unlisted property delivers consistently great returns

Unlisted property assets are a great source of strong, stable, long-term returns for REI Super's portfolio.

Approximately 50 percent of REI Super's property portfolio is invested in unlisted property assets, through one of our long-standing investment managers, Industry Super Property Trust (ISPT).

Unlisted property trusts hold assets that are not included in portfolios listed on the stock exchange and are generally not readily available for individuals to invest.

Unlisted property provides for excellent long-term investment, with a combination of growth and income to REI Super's portfolio. It also has fewer short-term ups and downs in returns compared to many other investments.

Our investment in ISPT is through the Core Fund, which is a diverse portfolio of around 75 Australian commercial, industrial and retail properties of unmatched quality across capital cities and regional centres.

## A great performance record

Since it started in 1994 to 30 June 2019, the ISPT Core Fund has delivered an average return of **9.56%** per annum (net of fees). In the 12 months to 30 June it returned **6.96%** (net of fees).

## A growing portfolio of high quality property assets

At 30 June 2019 the ISPT Core Fund was valued at a huge **\$15.2 billion**. The portfolio includes many iconic Australian properties. For example: Melbourne's GPO, Westfield's Doncaster Shopping Centre, Brisbane's Wintergarden complex, Casselden Place in Melbourne, Liberty Place in Castlereagh Street, Sydney, 2 National Circuit in Canberra and 100 St Georges Terrace in Perth.

**Image:** Artist impression – Knowledge Hub under construction in the Victoria University precinct Little Lonsdale Street Melbourne

# If you've got questions – we have answers

**Call our Helpline 1300 13 44 33**

Mon – Fri 8:30am to 7pm AEST

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 [admin@reisuper.com.au](mailto:admin@reisuper.com.au)

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