November 2008

Consolidation of Superannuation Accounts

Prepared for CHOICE

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1. Background

1.1 Our Brief

Our report *Consolidation of Superannuation Accounts* of September 2005 prepared for CHOICE commented on the likely impact and practical aspects of account consolidation in superannuation.

Since issuing our previous report, the number of superannuation accounts in Australia has continued to grow at a rapid rate of about 1.3 million per annum on average. CHOICE has now asked Rice Warner to update this research using current statistics. Our earlier brief was:

- To calculate the financial effect of reducing the number of superannuation accounts;
- To look at the overall impact of any consolidation of accounts within the superannuation system as well as scenarios for individual Australians; and
- To ascertain what measures would need to be taken to halve the number of accounts, and what barriers exist to prevent this happening today.

Our updated report also takes into account ASFA's criticism of previous CHOICE research into consolidation.

1.2 Background

Administration of the Australian superannuation system is inefficient. Many employees fail to consolidate their superannuation accounts when they change jobs.

As turnover runs from 15% to 20% a year in most industries, about one in six persons in the Labour Force joins a new employer-sponsored fund each year. In addition, new jobs are created, and there are a number of people entering the workforce, including school leavers and immigrants.

On leaving service, a number of members either move to an employer which uses the same fund as the previous employer (in these cases, the member does not change funds) or transfer their accrued benefits to their new fund. However, many workers simply join the new employer's default arrangement and fail to consolidate their previous superannuation account.

APRA statistics indicate that about 1.3 million additional superannuation accounts are created every year. Some of these are pension accounts created under the Transition to Retirement structure, whereby people draw pensions even whilst still accumulating superannuation benefits.

The large growth in accounts suggests that the majority of people do not transfer their old superannuation benefits into their new fund when they change jobs. About 20% transfer their accrued benefit from the previous job, so they effectively *consolidate* their superannuation. However, the remainder leave their benefit within the previous employer's fund and it becomes an *inactive account*, that is, no more contributions are paid into it. There are also many small accounts created by temporary residents working for short periods and then leaving Australia.

In this report, we update our previous calculation of the financial effect of reducing the number of superannuation accounts. We also consider the overall impact of any consolidation of accounts within the superannuation system as well as scenarios for individual Australians.

We have also been asked to ascertain what measures would need to be taken to halve the number of accounts, and what barriers exist to prevent this happening today.

1.3 Problems of Multiple Accounts

Multiple accounts are inefficient in a number of ways. The main impacts on the system are:

- Superannuation funds and administrators have to deal with small accounts and they do not recover enough in fees to pay for the unit cost of maintaining them.
- Funds cannot charge appropriate fees to accounts with less than $1,000. They can charge a fee up to the amount of interest charged but this is usually inadequate relative to the cost of maintaining the account. Consequently, the cost of managing these accounts is borne by other members under a process called *member protection*.
- Many accounts become "lost" that is, the fund loses track of the member, so the account will never be used for the member's retirement.
- Members with more than one fund pay multiple fees.
- Members with inactive accounts have benefits earning lower rates of return as inactive money is often placed in cash or low earning deposits. Further, accounts below $1,000 usually earn little if any interest after fees.
- When members leave a corporate fund in the retail sector, their benefits are often transferred to "personal accounts" from the corporate arrangements. This can result in higher fees within the same fund.
- Funds have different methods of dealing with insurance. Some deduct premiums from account balances even when the account becomes inactive; others stop after a period following cessation of employer contributions. Therefore, many members would be unaware of the status of their insurance cover.

If it were possible to consolidate many of these accounts, funds, administrators and members would all benefit.

1.4 Barriers to Consolidation

It is clear from the large number of accounts that consolidation is not routinely occurring. The reasons for this appear to be:

- The apathy and ignorance of the general population relating to superannuation matters;
- The paperwork associated with consolidation and the difficulty of getting money out easily through Rollovers from one fund to another;
- The desire for funds to retain accounts, even if they are inactive;
- The lack of communication from Eligible Rollover Funds; and
- Lack of industry-wide protocols to encourage people to keep their accrued superannuation benefits in a single fund.

Some of the key problems are discussed below.

1.4.1 Leaving Service

When a person changes jobs, their employer notifies the superannuation fund that they have left service. This is usually done the following month for larger companies, but it could be quarterly for small employers.

The superannuation fund will not pay out a benefit but will write to the member (at the last known address) and advise them of their options. Most funds will advise the member that the money has been left in the same investment strategy and will remain there until the fund receives advice to change it. Many members simply ignore this communication.

When the member leaves a small benefit behind, it becomes inactive (that is, regular contributions are no longer paid into the account). Many funds automatically transfer these accounts to an Eligible Rollover Fund (ERF) if no instruction is received by the member after a set period, say 90 days. The size varies by fund, but it is typically of the order of $1,000, though some retain nothing under $3,000.

This transfer means that the member now has an account with a new unknown organisation. The ERF will send some initial correspondence about the transfer but it will not communicate on a regular basis with the member. It need only send an annual statement showing the account balance. Not surprisingly, members do not build a relationship with their ERF. Over time, as they change address, the account can become "lost".

1.4.2 Lost Accounts

When a fund loses contact with a member, the account is "lost". There is now about $12.9 billion in these accounts. Ultimately, unless traced to a member, the money will revert to the government.

A significant portion of lost super belongs to temporary residents. We have heard that as much as 90% of superannuation for this group is never claimed. The government has recently changed the rules to take these accounts out of the superannuation system. They will only be allocated to members when they change their status to permanent resident.

1.4.3 Identification Problems

When members want to withdraw money from a fund where they have no relationship (e.g., an ERF), they need to supply 100 points to identify themselves in the same way as if they were opening a bank account.

This requirement is an effective barrier for many as members need to supply copies of a number of documents and have them signed by a Justice of the Peace (JP). As many members are unaware of the rules, they initially make a claim without providing the correct information. They then receive a letter advising of the requirement. This slows down the process and stalls it for many.

1.4.4 Retention Policies – Industry Funds

Industry funds retain members when they leave service as they have an expectation that the member will get another job within the same industry. Employees in many sectors (e.g. construction, health and retail) are likely to stay in one fund even when they change jobs. This occurs because the industry fund is dominant and the nature of the work tends to have many employees remaining in the industry throughout their careers.

However, workplace turnover is at high levels and many people move between industries. Even those staying within a single industry can change funds.

If a member leaves the industry, some funds require the member to prove this. Some used to have rules where the account needed to be inactive for 6 months before the trustee could allow a rollover. This has now been overridden by Portability legislation which removed the time limit on "inactivity".

1.4.5 Retention Policies - Master Trusts

About half of all employer business is held within corporate and retail master trusts. When employees change jobs, they are often transferred into an individual policy or personal account. An employer group could pay a total annual fee of 50 to 150 bps[1] depending on its size. On transfer, this fee could rise by a factor of two or three times as the member becomes subject to retail pricing (typically 100 to 250 bps). This fee will include the cost of receiving personal financial advice, but this is charged irrespective of whether the member takes advantage of the facility.

1.4.6 Legacy Products and Defined Benefit Funds

A significant amount of superannuation assets are held in life office statutory funds, backing endowment and Whole of Life policies written in former years. We estimate these to amount to be worth approximately $5 billion as at 30 June 2008. These products are inflexible and there are significant barriers for policyholders wishing to consolidate into superannuation funds.

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[1] 100 basis points (bps) = 1% of the account balance.

An endowment policyholder who wishes to surrender his policy and roll this into an accumulation account in a superannuation fund would face:

- A transfer of inflation and investment risk from the insurer to the policyholder, as the member bears these risks in an accumulation environment; and
- A significant surrender penalty for terminating the policy early.

A number of defined benefit arrangements also remain. APRA figures as at 30 June 2007 show 0.7 million accounts with assets amounting to $67.9 billion in pure defined benefit funds. There is also a further 11.4 million accounts with $373.7 billion in assets held in hybrid accumulation/defined benefit funds, a significant portion of which, perhaps 15% or $56 billion, would be in respect of defined benefit members.

A member of a defined benefit fund who wishes to transfer his superannuation entitlements to an accumulation fund could face:

- A transfer of inflation and investment risk from the employer to the member;
- A transfer of plan and insurance costs from the employer to the member; and
- A vested withdrawal benefit which is potentially worth less than the DB benefit that would have accrued if the member had stayed with the employer.

2. Superannuation Assets and Accounts

2.1 Market Overview

APRA's *Annual Superannuation Bulletin* for the year to 30 June 2007 provides the starting point for analysis of superannuation accounts. The publication detailed 30.4 million superannuation accounts with $1,143 billion in assets by broad market segment. We have combined data published in APRA's *Annual Superannuation Bulletin* with APRA's *Quarterly Superannuation Performance Statistics* at 30 June 2008 and also with our own analysis and other data to arrive at the following breakdown of superannuation accounts and assets as at 30 June 2008 by industry segment:

Table 1. Superannuation Accounts and Assets, 30 June 2008

Sector	Segment	Accounts ('000)	Assets ($m)
Wholesale	Corporate	643	61,500
	Corporate Super Master Trust[2]	907	54,422
	Industry	11,270	222,498[3]
	Public Sector	3,032	147,002[3]
Retail	Corporate Super Master Trust[4]	594	35,624
	Personal Superannuation	7,664	190,184
	Retirement Income	1,264	86,913
	Retirement Savings Accounts	120	1,200
	Eligible Rollover Funds	5,677	6,357
Small Funds	Small Funds (DIY)	770	362,500
	Unallocated Reserves	-	5,000
Total		**31,940[5]**	**1,173,200[6]**

In contrast to the above, the employed labour force was approximately 10.7 million at 30 June 2008 as reported by the Australian Bureau of Statistics. This gives approximately 3.0 accounts for every employed person at 30 June 2008.

[2] Excludes employer plans with less than $5 million in assets.
[3] APRA's statistics show $170.2 billion in public sector funds and $199.3 billion in industry funds. We have adjusted these totals to include Unisuper, which APRA classes as a public sector fund, in the industry fund sector.
[4] Employer plans with less than $5 million in assets.
[5] We have estimated this total based on actual numbers published in APRA's *Annual Superannuation Bulletin* as at 30 June 2007 and the underlying trends.
[6] The total assets ($1,173 billion) is higher than APRA's total of $1,172 billion as APRA's total does not include assets in respect of Retirement Savings Accounts.

For further analysis, we have allocated the 31.9 million superannuation accounts and $1.2 trillion superannuation assets by industry segment to:

- Active accounts (i.e. accounts receiving contributions in respect of employees);
- Inactive accounts; and
- Pensioner accounts.

We estimate the breakdown of accounts at 30 June 2008 to be as follows:

Table 2. Superannuation Accounts, 30 June 2008

Superannuation Market Segment		Distribution of Accounts ('000s)			
		Active	Inactive	Pensioners	Total
Wholesale	Corporate Funds	391	217	35	643
	Corporate Super Master Trusts	584	323	-	907
	Industry Funds	4,630	6,227	413	11,270
	Public Sector Funds	1,025	1,628	379	3,032
Retail	Corporate Super Master Trusts	383	211	-	594
	Personal Superannuation	3,287	4,377	-	7,664
	Post Retirement Products	-	-	1,264	1,264
	RSAs	51	69	-	120
	ERFs	-	5,677	-	5,677
Small Funds		375	163	231	770
Total Superannuation Market		**10,726**	**18,892**	**2,322**	**31,940**

We also estimate the breakdown of assets at 30 June 2008 to be as follows:

Table 3. Superannuation Assets, 30 June 2008

Superannuation Market Segment		Distribution of Assets ($m)			
		Active	Inactive	Pensioners	Total
Wholesale	Corporate Funds	42,211	13,386	5,902	61,500
	Corporate Super Master Trusts	41,459	12,963	-	54,422
	Industry Funds	143,687	66,108	12,703	222,498
	Public Sector Funds	55,748	29,710	61,545	147,002
Retail	Corporate Super Master Trusts	27,139	8,485	-	35,624
	Personal Superannuation	147,582	42,602	-	190,184
	Post Retirement Products	-	-	86,913	86,913
	RSAs	834	366	-	1,200
	ERFs	-	6,357	-	6,357
Small Funds		243,458	45,072	73,970	362,500
Total Superannuation Market		**702,118**	**225,048**	**241,034**	**1,168,200**[7]

[7] This total does not include the unallocated reserves of $5 billion.

Our analysis indicates over 18 million inactive accounts with over $225 billion assets that can potentially be consolidated into other accounts. However, not all these accounts can realistically be eliminated. For instance:

- Some inactive accounts are in respect of non-working spouses of active members;
- Some members over age 55 have begun Transition to Retirement pension accounts while still working. They then would hold an accumulation and a pension account; and
- Some inactive accounts are in respect of members who have left the workforce temporarily, e.g. due to maternity leave or while working overseas.

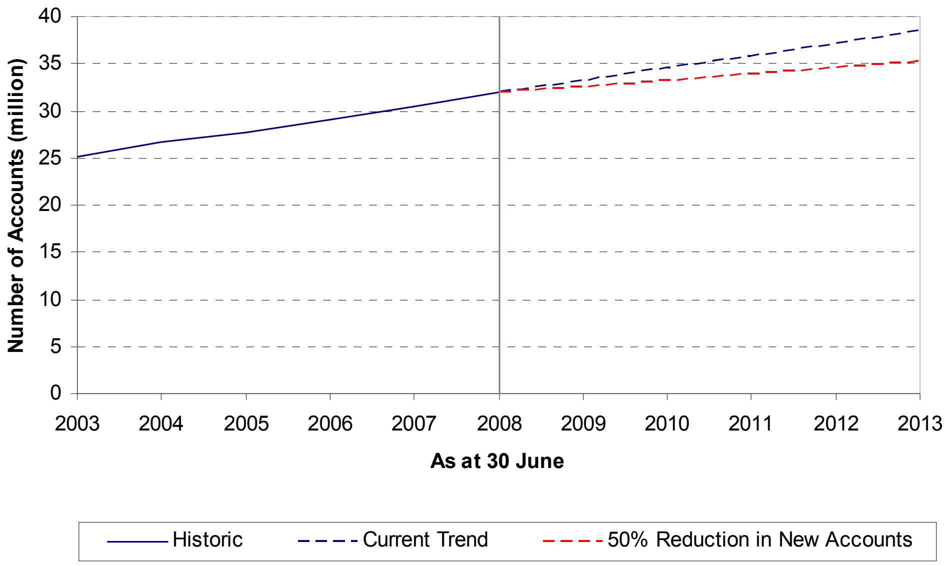
However, a large portion of the 18.9 million inactive accounts are accounts that were simply "left behind" when a member changed employment. These include 6.4 million "lost" accounts with $12.9 billion assets registered on the Australian Taxation Office's Lost Member Register[8]. If these accounts can be eliminated, this could lead to millions of dollars in potential savings for the industry and for members.

2.2 Growth in Superannuation Accounts

APRA's *Annual Superannuation Bulletin* shows that the number of superannuation accounts have grown steadily over recent years, with an average annual addition of 1.3 million accounts. If the number of new accounts can be reduced in each future year through consolidation, this will contain the problem of multiple accounts to a significant extent.

We have extrapolated the trend in APRA figures to illustrate the possible impact of reducing the rate of creation of new accounts by 50%, as illustrated below. We estimate that such a reduction would prevent the creation of 3.3 million unnecessary accounts over five years.

Graph 1. Projected Growth in Superannuation Accounts



8 Blue T, 22 October 2008, 'A windfall in 'lost' super might await you', The Australian, viewed 3 November 2008, < http://www.theaustralian.news.com.au/story/0,25197,24511243-5001942,00.html>.

2.3 Superannuation Fees

The average fees charged by superannuation funds for the year to 30 June 2006 were as follows[9]. These expense rates express total superannuation fees as a percentage of assets. Note, these fees will be updated later in 2008 but we do not expect any material difference in the figures.

Table 4. Superannuation Expense Rates: 30 June 2006

Sector	Segment	Expense Rate %
Wholesale	Corporate	0.78
	Corporate Super Master Trust[10]	0.81
	Industry	1.13
	Public Sector	0.70
Retail	Corporate Super Master Trust[11]	2.01
	Personal Superannuation	2.12
	Post Retirement	1.79
	Retirement Savings Accounts	2.30
	Eligible Rollover Funds	2.53
Small Funds	Small Funds	0.87
TOTAL (%)		**1.26**

2.4 Charging Structures

There are a number of methods to recover superannuation costs. The major ones used in the superannuation industry are:

- Dollar per week type account fees;
- Administration charges expressed as a percentage of assets;
- Investment management fees, usually with a tiered scale by plan or account balance;
- Contribution fees;
- Adviser service fees;
- Member protection costs spread amongst all members; and
- Insurance charges expressed as a percentage of the premiums.

Some of these costs are fixed and do not increase if the account balance grows. Other costs grow at a reduced rate due to sliding scales. When two accounts are consolidated, members benefit from a reduction in total fees.

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[9] Source: Rice Warner report to IFSA: *Superannuation Fees - Market Segment Analysis as at 30 June 2006*
[10] Excludes employer plans with less than $5 million in assets.
[11] Employer plans with less than $5 million in assets.

2.5 Process

We have estimated the cost of multiple accounts by using the model we have developed for superannuation analysis.

Amongst other things, this model has been used to:

- Estimate the "savings gap" – this is the difference between the amount required to have a comfortable lifestyle in retirement and the amount likely to be accrued for retirement; and

- Determine the average level of fees paid in various segments of the superannuation market, including those segments such as Eligible Rollover Funds that relate to inactive accounts.

By combining our knowledge of average fee levels for different market segments with the numbers of inactive accounts and applying appropriate assumptions about the numbers of future inactive accounts, we can determine an estimate of the financial effect of reducing the number of superannuation accounts. The assumptions adopted and our estimate of the financial effect is outlined in section 4.

3. Opportunities for Consolidation

3.1 Catalysts for Consolidation

3.1.1 Changing Employment

We expect a greater degree of account consolidation going forward now that the majority of Australians can select their own fund under the Choice of Fund regime. As employees changing jobs are presented with Standard Choice Forms, they are more likely to make an active decision to either stay with their old fund or move into the employer's default fund. Over time, members will find a fund which they like and they will then stay in that even when changing jobs.

Once members have chosen a fund to keep throughout their career, they will cease creating further inactive accounts.

3.1.2 Consolidation of Funds

The increasing compliance burden for superannuation fund trustees and the increased competition under Choice of Fund will lead to many smaller industry funds merging into larger funds to achieve greater economies of scale. Even large funds may merge to achieve greater competitive advantage.

Where similar industry funds merge, there is the possibility that a significant proportion of members will have accounts in both funds, and these can be consolidated.

Small master trusts will also struggle to provide appropriate services profitably. We expect many will be sold.

The majority of remaining corporate funds will become sub-funds of industry funds or master trusts.

3.1.3 Clearing House Facility

The government has indicated that it will establish clearing houses to allow employers to make contributions electronically. This will cut costs significantly – on some estimates, up to 40% of administration costs for industry funds relevant to the collection and allocation of contributions.

An issue for consideration is having an industry-wide protocol on rollover to simplify the process of moving inactive accounts to the member's active account. This should:

- Allow money to move electronically at the request of the member rather than under the current manual system involving the drawing of cheques (note that the money is "out of the market" whilst the cheque is in mail); and

- Require minimal involvement of the member.

For each employee, a unique identifier should be introduced and recorded with each superannuation account. This would facilitate any account consolidation when, for instance, a fund loses contact with a member. The member's Tax File Number would be an ideal identifier, as this eliminates the need to introduce a new system.

3.2 Opportunities for Consolidation

3.2.1 ERF Accounts

Our analysis in section 2.1 indicates 5.7 million superannuation accounts are in Eligible Rollover Funds with $6.4 billion in assets. These are small inactive accounts rolled over from other members' former accounts in other superannuation funds.

These funds provide a temporary holding mechanism for monies until they are rolled into another superannuation account. As such, they are typically capital guaranteed and do not adopt investment strategies suitable for the long term. It is desirable that ERF accounts be rolled into other superannuation funds held by members. The introduction of a unique identifier and rollover mechanism facilitated by the ATO would allow this to happen.

If the existing ERF accounts could be rolled into the respective members' current superannuation account, significant savings could be possible. This is not implausible, as for most of these accounts; it is likely that the member's contact details are known.

3.2.2 Inactive Accounts

Not all of these can be consolidated including:

- Spouse accounts in respect of non-working spouses of active members;
- Accounts in respect of members who have left the workforce, e.g. due to maternity leave; and
- Overseas workers on temporary working visas.

However, many are accounts left behind on changing employment.

3.2.3 Temporary Residents

Temporary residents are allowed to claim their superannuation balances when they permanently leave Australia. However, many fail to do this, and their superannuation accounts become lost accounts.

From 1 July 2008, temporary residents' superannuation are paid to the Australian Government, either as a direct employer payment to the ATO, or as a transfer from the superannuation fund to the ATO (instigated by the ATO). This will reduce the growth in the number of lost accounts, and consequently the related administration costs.

4. Effects of Consolidation

4.1 Consolidation of Current ERF Accounts

Our analysis in section 2.1 indicates 5.7 million superannuation accounts in Eligible Rollover Funds with $6.4 billion in assets.

If we assume these accounts are all rolled into Corporate Funds, Industry Funds and Corporate Super Master Trusts, we estimate the saving in fees to be $111 million per annum.

Further gains are possible in moving these funds to more appropriate long-term investment strategies. The capital guaranteed nature of ERFs means no inflation protection is provided, and significant long-term investment growth is forgone.

4.2 Inactive Accounts

Our analysis in section 2 indicates 10.7 million “active” accounts in respect of the employed labour force, and 18.9 million “inactive” accounts in the accumulation phase.

Some “inactive” accounts have a necessary function, for example:

- Individuals who are not in the workforce will have a superannuation account if they have worked in the past.
- Some Individuals who have retired have not yet commenced a pension.

Hence, not all of the 18.9 million “inactive” accounts can be consolidated.

In 2007 we estimated that there were 12 million unnecessary “inactive” accounts that could be consolidated from a total of 28 million accounts in the superannuation system. If we assume a similar proportion, we estimate that there are 13 million inactive accounts that may be consolidated at 30 June 2008. If we remove the 5 million ERFs from this figure (since we have already estimated the savings in fees due to the consolidation of ERFs) we arrive at 8 million unnecessary inactive accounts that may be consolidated. Using this revised number of unnecessary accounts, the dollar fee saved, at about $1 per account per week, is $416 million a year. However, member-protected accounts (with balances below $1,000) still exist as not all small accounts are immediately sent to an ERF. If we assume about 80% of accounts have balances over $1,000 (and hence would be charged a fee), the total saving in fees is estimated to be $333 million.

4.3 Higher Returns

Consolidation of accounts is likely to lead to lower asset-based fees and hence higher net returns:

- Some funds charge a tiered asset-based fee where the fee reduces as the account balance increases. By consolidating small balances into one account, a member can claim a reduced asset fee on the aggregate amount.

- Some funds recoup administration costs by charging an asset-based fee. Consolidation of accounts would eliminate the marginal cost of the additional accounts, e.g. the cost of sending out member statements. In turn, this would lead to lower administration fees.

If we assume the overall effect to be a reduction in asset-based fees of 5 bps, we estimate the saving in fees to be $587 million.

4.4 Member Protection

Superannuation accounts with balances under $1,000 are protected from fee erosion under the Member Protection rules which prohibits funds from charging fees in excess of the after-tax investment earnings on these accounts. The excess costs associated with these accounts are recouped through an asset-based charge on the whole fund through a deduction from investment earnings.

In aggregate, Member Protection is not an additional cost, but rather a transfer of costs, where larger accounts cross-subsidise the costs of small accounts. The subsidy is typically around 10 bps and can be large in dollar terms for large accounts.

Account consolidation would lead to larger account balances, and the number of small accounts could reduce dramatically, improving the equity of the system. However, member protection is not an additional cost, so no aggregate cost saving is possible.

4.5 Clearing House

The introduction of a central clearing house for superannuation contributions and better matching of contributions with members (via Tax File Numbers) will lead to further savings in administration costs.

Currently, about 35% of the $0.40 per member per week cost of industry fund administration relates to the collection of contributions. This is a cost of $7.30 per member per annum. If the cost of collecting contributions could be reduced by $5 per member per annum for industry funds and corporate super master trusts (with approximately $5 million active member accounts combined), this would lead to a total saving of $25 million

4.6 Overall Impact

Combining the items listed above, we estimate the overall effect of consolidation to be a saving of $1,056 million per annum, as follows:

Table 5. Overall Impact of Account Consolidation

Item	Effect ($m)
Transfer of ERFs accounts	111
Inactive accounts	333
Higher returns	587
Member protection	-
Clearing house	25
Overall Effect	**1,056**

This equates to an average annual saving of about $100 per member. However, the degree to which members can consolidate will vary widely, as some members already have only one account, whereas others may have up to 8 or more. The saving for individual members will therefore vary widely and can be large in individual cases.

4.7 Intangible Benefit

Moving to an electronic based system will also see a reduction in costs. This will be achieved through less use of paper and less reliance on manual processes. This is difficult to quantify in terms of an actual dollar estimate. However, it follows that as consolidation occurs and the number of accounts falls, the reduction in volume must benefit all parties.

5. Case Study

The following case study is provided in terms of a person with average earnings and account balances. The individual has three separate accounts (one active and two inactive), close to the national average of 2.8 accounts per member.

5.1 George

George is aged 40. He earns $50,000 in his current job, and his employer makes a 9% Superannuation Guarantee contribution into an industry fund account with a current balance of $6,000. George has $11,000 in a Personal Superannuation account and $3,000 in an ERF from previous employment.

The three funds charge the following fees:

- Industry Fund: $1.20 per week + 0.63% of the account balance per annum;
- Personal Super Product: 2.30% of the account balance per annum; and
- ERF: 2.53% of the account balance per annum.

George is in the Balanced Investment Options of the Industry and Personal Superannuation Product, but the ERF is capital guaranteed and therefore conservatively invested. To measure the benefit of consolidation, we make the following assumptions:

- The Balanced Investment Options return 8.5% p.a. before fees and tax over the next ten years;
- The Eligible Rollover Fund returns 7.0% p.a. before fees and tax over the next ten years;
- Investment earnings are taxed at 10%[12] in the ERF and at 6%[12] in the Balanced Investment Options; and
- General wage inflation is 3.5% p.a. over the next ten years.

Under these assumptions, George would save $4,900 in today's dollars over the next ten years in fees and lost investment returns (a result of the more conservative investment strategy of the ERF) if he consolidates his accounts into the industry fund.

[12] These rates reflect the concessional tax treatment of Capital Gains as well as imputation credits available with Australian Equity investments.

Note that the case study is simplistic in that it does not consider financial advice, insurance cover or the appropriateness of any particular fund.

This report was prepared and peer reviewed for CHOICE by the following consultants.

Prepared by	Peer Reviewed by
Albert Hattingh Actuary 5th November 2008	Michael Rice Director 5th November 2008