

Superannuation Definitions

Allocated pension

When you retire, you can convert the money you've saved in super into a regular income to live off. The money you're drawing down (in other words, the money that's 'allocated' to you) is called a pension and it's provided tax free if you're 60 or over.

Asset allocation

Asset allocation refers to the proportion of your money that's invested (or 'allocated') in each asset class. For example, you could have 100% of your money allocated to cash, or it could be divided among cash, fixed interest, property or shares.

Beneficiary

If you die while a member of a super fund, the value of your accumulated benefit will be paid to the person you chose as your beneficiary – your spouse or child, for example. So when you join a super fund, you're asked to nominate a beneficiary (or it can be more than one person). There are usually three ways to nominate a beneficiary:

- a binding beneficiary (if you die, your money must be given to the person you choose, but you must have renominated your beneficiary every three years)
- a non-lapsing beneficiary (the same as a binding nomination except you don't need to renominate someone every three years)
- a non-binding beneficiary (the super fund's trustee will decide to whom your benefit should be paid. They must take your choice into account, but don't have to pay it to the person you nominated).

Concessional / Non-concessional contributions

Concessional contributions are contributions made by your employer or that you make with pre-tax dollars – by salary sacrificing, for example. Non-concessional contributions include spouse contributions, Government co-contributions, and contributions you make from after-tax dollars.

Conditions of release

Generally, your super money is locked away until you retire. Conditions of release describe the circumstances in which you can get access to your super money. Apart from simply reaching your retirement age (usually 65), they include such things as being in severe financial hardship, becoming permanently incapacitated, or on compassionate grounds.

Investment earnings

Investment earnings is the movement in the unit price of your investments, written as a dollar value. If the unit price of an investment has decreased during the year, your investment earnings will be expressed as a negative dollar amount. If the unit price has increased, investment earnings will be positive.

Investment performance

Investment performance is expressed as a percentage and gives the return on each of your investment options over a stated period (typically one, five and ten years).

Investment rate of return

Your investment rate of return is expressed as a percentage and is the combined total rate of return for all your investment options, plus and minus payments, fees and taxes.

Superannuation trustee

Every super fund is required by law to have a trustee, which is a semi-independent body appointed to ensure that your fund is being operated according to the best interests of all the members and according to superannuation law.

Switches

Switching is the transfer of your money from one investment option to the other. For example, someone might decide to switch from an investment option that's more highly invested in cash to one that's more highly invested in shares. Any amounts switched will be shown on your statement.

Unit pricing

Your super money is combined with other investors' money and then invested, as a single amount, into assets (such as shares). Each person then owns a certain number of 'units' in that investment, depending on how much they contributed. The unit price of assets goes up and down in value (for example, depending on how the sharemarket is performing). The number of units you own multiplied by the unit's price gives you the total value of your investment in that asset.

Withdrawal benefit

A withdrawal benefit will be shown on your statement every year. This is the amount you would have received if you'd met a 'condition of release' during that financial year and then withdrawn your money. It's effectively your closing account balance, less any fees and charges.