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Co-contribution Budget Bonus!

If you received a co-contribution payment in the 2005/2006 financial year, it has been proposed that the Federal Government will make one-off payments to double the co-contribution amount that you received for the 2005/2006 financial year. That is super!

HIP – A super investment

Much of the current hype, and a good deal of the information presented in this latest issue of Inform, focuses on the Government changes aimed at re-enforcing superannuation as an effective vehicle to provide Australian workers with the incentives and opportunities to establish a retirement income to support their dreams and aspirations.

This commitment by the Federal Government has been carried forward into the recent 2007 Budget announcements.

The changes include those initiatives

broadly referred to as the 'Simpler Super' reforms.

The Government developments include improved tax concessions, new contribution limits, the removal of Reasonable Benefit Limits and the

compulsory cashing of super, a more generous Assets Test for the Age Pension as well as transition to retirement arrangements and the co-contribution scheme.

These Government initiatives are very much in synch with Health Industry Plan's (HIP) aims, which are aptly expressed in our mission statement, which is 'To provide members with the opportunity to achieve a financially secure retirement'.

Not only does HIP provide a high quality, low cost product in a tax effective and broader based investment environment, this is backed by an ever-evolving range

of services and benefits as well as outstanding investment performance.

HIP's latest product enhancement is the development of an allocated pension for retiring HIP members. See our announcement on the back page for more information.

However, the underlying endorsement of HIP as a quality superannuation product has to be our strong investment performance over the longer-term and in particular since the horrors of 2001.

HIP Trustee Directors have taken the salient messages of the past, and with the assistance of our asset consultant, JANA Investment Advisers, have worked diligently to produce first quartile investment performance for HIP members.

HIP's investment performance compares favourably with other health orientated superannuation providers and the superannuation industry as a whole.

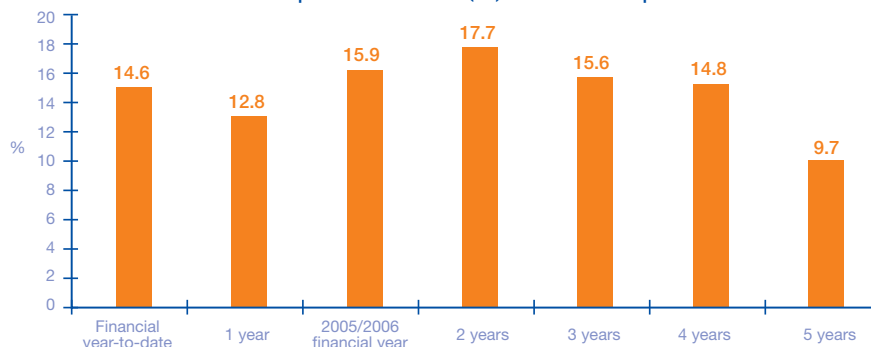
HIP can now boast an outstanding catalogue of investment performance, which importantly includes 14.6% for the financial year-to-date (July 2006 to April 2007). This is again an excellent performance for just 10 months.

As we all know, past success is no guarantee of future performance, however, be assured that HIP's Trustee Board is committed to doing its part to maintain HIP as a super investment.

14.6%

as the financial year-to-date return for the Growth (default) option*

HIP Growth Option Returns (%) to end of April 2007*



* Please note these returns are not final and are subject to annual audit verification, and that past performance is no indication of future performance and if you are unsure of what investment option best suits your own personal financial situation, objectives or needs, then you may need to seek advice from a qualified financial planner.

SIMPLER SUPER CHANGES – what's in it for me?

IN DEFINING THE 2006 FEDERAL BUDGET, THE GOVERNMENT PROPOSED BIG CHANGES TO SUPERANNUATION.

These changes are aimed at making super much simpler and will provide greater tax concessions in retirement. Even though a lot of the complexity will disappear, you will still need to make active decisions to shape your future financial well-being. At the time of printing, these changes were in the process of being legislated, with many coming into effect on 1 July 2007, and may change in the future. The changes below are presented in the order that they will come into effect.

From 10 May 2006

A 'non-concessional contribution cap' has been introduced.

This cap applies to undeducted contributions (ie personal contributions you don't claim as a tax deduction) and certain other non-concessional amounts, such as spouse contributions received.

A transitional cap of \$1 million is available between 10 May 2006 and 30 June 2007*. After this date, the cap will reduce to \$150,000# a year (or \$450,000 in one year if you're under age 65 in that year, with no further contributions in the following two years).

Certain contributions are excluded from the cap. They include:

- Some proceeds from the sale of small business assets up to a lifetime limit of \$1 million and,
- 'Settlements' received for injuries relating to permanent disablement.

Contributions exceeding your cap will be taxed at a rate of 46.5%*.

There is a window of opportunity to make larger undeducted contributions. For example, it may be possible for a couple to make a combined undeducted contribution of up to \$2 million between now and 30 June 2007 or \$1 million for a single person.

The end of compulsory cashing rules

From 10 May 2006, when you reach age 65, you will no longer be forced to take your super as a lump sum or commence an income stream if you don't meet work-related tests.

YOU CAN NOW KEEP YOUR BENEFITS IN SUPER FOR AS LONG AS YOU WANT AND EARNINGS WILL BE TAXED AT A MAXIMUM RATE OF 15%.

* Contributions above the \$1 million transitional cap that were made before 7 December 2006 can be withdrawn without penalty by applying to the ATO before 1 July 2007.

This cap will be maintained at three times the 'concessional contribution cap' applying to people under age 50 – see under the heading 'The age based deductible contribution limits will be replaced'.

From 1 July 2007

Reasonable Benefit Limits abolished

Reasonable Benefit Limits restrict the amount of concessional super you can receive over your lifetime. From 1 July 2007, these limits will be abolished and therefore the disincentive for accumulating larger super benefits.

Given super will be more tax-effective (when received from age 60), you may want to make additional contributions or consider converting non-super assets into super.

Tax free benefits for over 60's

All benefits you receive from a taxed super fund, such as HIP Super, at age 60 or over, will be completely tax-free, including lump sum withdrawals, and payments from an income stream investment. Also, you will not be required to include these benefits in your annual tax return.

Note: In the event of your death, if your super is paid as a lump sum to a 'non-dependent' beneficiary (e.g. an adult child), they may have to pay tax on some or all of the benefit – see under heading 'Death benefit changes'.

OVER 60? YOUR SUPER WILL BE NOW TAX-FREE IN RETIREMENT!

Simpler tax treatment for under 60's

The current superannuation components for tax purposes will be replaced with two components – 'tax free' and 'taxable'.

The table below outlines the tax treatments if you make a lump sum withdrawal from a taxed super fund under age 60 – before and after 1 July 2007. As you can see:

- The 'tax free' component will be, as stated, tax-free.
- The 'taxable' component will be treated in a similar manner to the current post June 1983 taxed component.
- You will pay less lump sum tax if your benefit includes a pre-July 1983* concessional or excessive component.

Note: From 1 July 2007, where you have a 'tax free' and 'taxable' component, each lump sum withdrawal will contain a proportional amount of each component.

TWO COMPONENTS MEAN SIMPLER SUPER FOR EVERYONE

Tax treatment of lump sum withdrawals (if under age 60)

Before 1 July 2007			From 1 July 2007	
Components	Tax Treatment		Components	Tax Treatment
Undeducted, invalidity and CGT exempt	Tax-free	➔	Tax-free	Tax-free
Pre-1983* and concessional	5% taxable at marginal rate	➔		
Post-June 1983 Taxed	<ul style="list-style-type: none"> • If under age 55, taxed at 21.5%# • If aged 55-59, the first \$135,590^ tax-free and rest taxed at 16.5%# 	➔	Taxable	<ul style="list-style-type: none"> • If under age 55, taxed at 21.5%# • If aged 55-59, first \$140,000~ tax-free and rest taxed at 16.5%#
Excessive (ie amounts above your RBL)	Taxed at up to 46.5%#	➔		

* Where applicable, the pre-July 1983 component will be converted into a fixed amount at 30 June 2007.

Includes Medicare Levy of 1.5%.

^ The figure applies in 2006/07.

~ This figure will apply in 2007/08 and will increase periodically in increments of \$5000.



From 20 Sept 2007

Death benefit changes

In the event of your death, all lump sum benefits paid from a taxed super fund will be tax-free when received by a 'dependent'*, and generally taxed at up to 16.5%#^ if received by a 'non-dependent' (eg an adult child).

Tax treatment of lump sum death benefits

If paid to a:	Before 1 July 2007	From 1 July 2007
Dependent	Tax-free up to deceased's unused Pension RBL of \$1,356,291 ⁻ and 'excess' taxed at up to 46.5%#	Tax-free
Non-dependent	Taxed at up to 31.5%# for benefits up to deceased's unused Pension RBL of \$1,356,291 ⁻ and 'excess' taxed at up to 46.5%#	Generally taxed at up to 16.5%#^

* Includes a spouse, minor child, interdependent or financial dependent.

Includes Medicare Levy of 15%.

^ A higher tax rate may apply if the death benefit contains an insurance component and no tax is payable on the tax free component.

~ This limit applies in 2006/07. Some people may have higher 'transitional' RBL's.

The Government has also proposed that 'non-dependent' beneficiaries will no longer be able to receive a death benefit in the form of an income stream, unless commenced before 1 July 2007.

Where an income stream is paid to a 'dependent' beneficiary, the income payments will be tax-free if you (or your dependent) are aged 60 or over. Otherwise, the income payments less any 'tax free' amount will be taxable at your dependents marginal rate (less a 15% offset) until they reach age 60.

DEATH BENEFITS ARE NOW TAXED IN A MORE CONCESSIONAL WAY.

The age based deductible contribution limits will be replaced

Age-based limits currently restrict the amount of employer contributions (including salary sacrifice) and personal contributions that can be claimed as a tax deduction.

From 1 July 2007, the aged based limits will be abolished and employers/self employed people will be able to claim a full tax deduction for their super contributions. However:

- These contributions (and certain other amounts) will count towards a 'concessional contribution cap' of \$50,000* pa or, if aged 50 or over \$100,000# pa for 5 years until 30 June 2012.
- Contributions exceeding this cap will be taxed at a penalty rate of 31.5% (in addition to the 15% contributions tax paid to HIP).

Employer and personal contributions can also be made up to age 75 (previously age 70).

Age	Age-based limits (1 July 2006 – 30 June 2007)	Concessional contribution cap (From 1 July 2007)
Under 35	\$15,260	\$50,000*pa
35-49	\$42,385	\$50,000*pa
50-69	\$105,113	100,000*pa up to 30 June 2012 and \$50,000*pa thereafter
70-74	N/A ^	

* This limit will apply in 2007/08 and will increase periodically in increments of \$5,000.

This amount will not be indexed.

^ A tax deduction is only available for mandated employer contributions at age 70 or over.

If aged 50 or over, you may want to increase your salary sacrifice contributions to take advantage of the higher limits that apply until 30 June 2012.

If under age 50, you will be able to make larger salary sacrifice contributions.

A more generous Assets Test

The Assets Test taper rate will be halved from \$3.00 to \$1.50 per fortnight for each \$1,000 in income over the relevant limit (excluding certain assets, such as the family home). The table below compares the assets homeowners can hold before their Age Pension benefits will cut out – before and after 20 September 2007.

Note: To receive Age Pension benefits you will need to be age 65 (if male) and between 63 and 65 depending on your date of birth (if female). You will also need to meet an Income Test and satisfy certain other criteria.

Assets before Age Pension benefits will cut out

	Before 20 September 2007*	From 20 September 2007*
Single homeowner	\$334,250	\$507,000
Couple homeowner	\$516,500	\$803,500

* Includes the pharmaceutical allowance and is based on the Assets Test thresholds between 1 January and 19 March 2007.

THE ASSETS TEST FOR AGE PENSION BENEFITS WILL NOW BE MORE GENEROUS.

The 50% Assets Test exemption will be removed for new income streams

Money invested in new income streams from 20 September 2007 will not be eligible for the 50% Assets Test exemption. 'Complying' income streams purchased before this date will retain the relevant Assets Tests exemption, as summarised in the following table.

'Complying' income stream commenced	Ongoing Assets Test Exemption
Before 20 September 2004	100%
Between 20 September 2004 and 19 September 2007	50%

You should speak to a qualified financial planner before taking any action based on this information.



HIP's Affinity Programs

AS A MEMBER OF HIP NOT ONLY DO YOU GET A GREAT SUPER PRODUCT, YOU HAVE ACCESS TO A WIDE RANGE OF ADDITIONAL SERVICES AND BENEFITS.

Switzer Financial Services

For high quality, fee for service financial planning, contact Switzer Financial Services on 1300 Switzer (1300 794 8937) or visit switzer.com.au

Manchester Unity Health Insurance

Manchester Unity has been providing assistance since 1840 and exists today to provide and secure the care needs of members and their families. Contact Manchester Unity on 1800 622 559 or email hip@manchesterunity.com.au

Premier One Mortgage Advice

Buying a home? Premier One Mortgage Advice provides competitive home loan rates to HIP members. Contact HIP on 1300 654 099 to be referred to a Premier One Mortgage Advice consultant.

CarNet

Need a new car? CarNet offers Australia's largest range of ex-Government and Corporate Fleet vehicles and competitive pricing and finance. Information is available at carnet.com.au

Virtual Communities

Thinking of upgrading your PC? Virtual Communities sell computer and internet packages at discounted prices and will even deliver and install your PC! Phone Virtual Communities on 1300 131 789 or visit virtualcommunities.com.au for more information.

Disclaimer: These products and services are offered to HIP members through external service providers and are separate to HIP. Any contractual arrangements or obligations are directly between you and the service provider.

HIP's Allocated Pension

As an extension of HIP's superannuation offering, the Trustee Board has announced the introduction of HIP's Allocated Pension.

The introduction of the allocated pension will allow members to continue to take advantage of HIP's strong investment performance while still remaining in the superannuation environment.

The benefits of investing in HIP's Allocated Pension include:

- Low fees
- Flexibility
- Tax effectiveness
- Investment performance
- Transition to retirement

The same investment options that have delivered strong growth to HIP members over the years will be available through the new allocated pension.

This new product will be delivered at a competitive fee structure and is expected to be available from 1 July 2007 to take advantage of the new 'Simpler Super' rules.

For more information and a Product Disclosure Statement please contact us on 1300 654 099.

When considering investing in HIP's Allocated Pension you may need to seek advice from an independent qualified financial planner.

It may be tempting to receive your super as a tax-free lump sum from age 60, but remember when the lump sum is invested outside super earnings will be taxed at your marginal rate. Alternatively if you use your super to start an income stream:

- No tax will be payable on earnings in the fund,
- No tax will be payable on the income payments you receive (if aged 60 or over), and
- You may qualify for additional Age Pension benefits.

JUNE 30 IS JUST AROUND THE CORNER! DON'T FORGET TO:

- Make any after-tax contributions by June 30 for this financial year's co-contribution payment.
- Rollover any extra accounts to reduce fees and paperwork.
- Check your insurance levels and investment choice.
- Review your salary sacrifice amounts.

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