

Directions

June 2005

Welcome to Directions, the Aon Master Trust's online newsletter for financial advisers.

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Aon is offering a range of services to help employers manage choice of fund <more>

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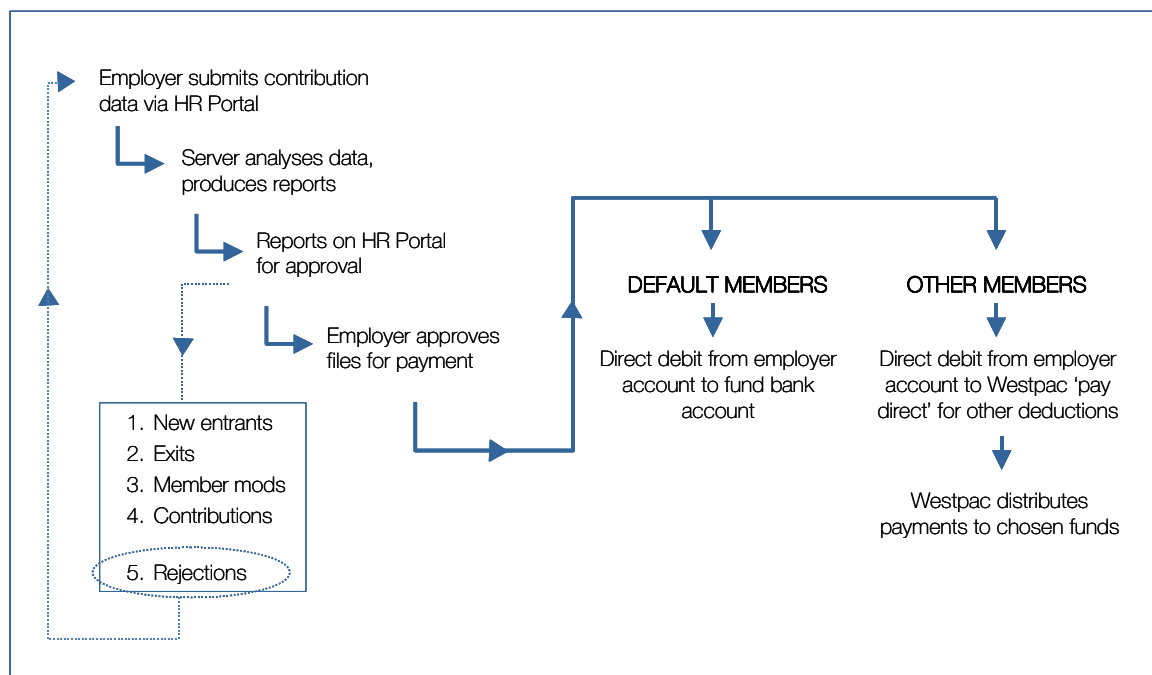
The following announcements could potentially affect your clients' financial wealth <more>

[Splitting of superannuation contributions](#)

The Government has re-announced its intention to allow the **splitting of superannuation contributions** with a member's spouse <more>

Aon's choice of fund process and clearing house solution

Aon is offering a range of services to help employers manage their superannuation obligations under the new choice of fund regime that will ensure contributions are allocated quickly and efficiently. Our standard service, which will be provided at no cost to most employers, is built around our new streamlined "straight through processing" system for managing contributions.



The flowchart demonstrates how the Aon clearing house solution will work.

One of the main benefits of using the facility is that it will relieve your client's payroll department from having to manage the distribution of contributions to (potentially) many different funds. Clients using Aon's standard service will submit contribution files to Aon electronically via our secure internet-based HR portal. The files are loaded onto Aon's administration platform and reviewed immediately. A number of reports are then produced for client review including:

- New entrants
- Exits
- Modified member data
- Contributions
- Rejections

The client reviews these reports and either accepts them or makes modifications. Rejections can be taken offline if necessary and do not have to be resolved before processing other records. Once all reports are accepted by the client, contributions are processed.

By accepting the contribution file summary, clients trigger a direct debit of a corresponding amount from the employer's bank account. Contributions going to the Aon Master Trust (the default fund) will be banked directly. Other contributions will bypass the Aon account and go straight to Westpac for distribution to designated funds.

This service is provided at no charge where the employer follows the process described above but there will be a charge to the employer for the following services:

- processing "non-default" disbursements where these make up 25% or more of the employees
- processing files not submitted by Aon's HR Portal
- processing payments not made by direct debit
- processing dishonoured cheques or direct debits.

Under the terms of the standard service, employers are responsible for processing completed choice forms, which includes checking the eligibility of chosen funds, resolving any errors or problems, updating fund choices, and maintaining compliance records. Alternatively, for a fee, employers can send their completed forms to Aon for processing.

Our **Choice of Fund** page on our website

http://www.aonmastertrust.com.au/choice_of_fund.htm has lots of useful resources to ensure employers and members understand their entitlements and obligations under the new choice of fund regime.

Member employment status check

We recently wrote to all Personal Division members of the Aon Master Trust asking them to confirm their employment status. We also included a note in our May member newsletter asking self-employed members to confirm their employment status.

This is an important exercise because the tax treatment of contributions is different for self-employed members and we want to be able to forward s82 AAT Notices to members by 15 June 2005.

If any of your clients are self employed and have not returned the form confirming their employment status, please call our customer contact centre.

Closed options to be terminated by 30 June

As mentioned in the July 2004 Directions Adviser newsletter, the Trustee of the Aon Master Trust recently reviewed the investment options it offered to members in our Tier 3 specialist selections. At the time, several options were closed to new investments while other managers were added to the line up.

Since then, the trustee has since terminated some of the closed options and will now be terminating all closed investment options in the Aon Master Trust by 30 June 2005. We have written to members

who are currently invested in the closed Tier 3 options to inform them of the termination. The relevant advisers have also been notified.

FAQ's

We recently had an interesting question come to us via our customer contact centre.

Q. I am an Australian and UK citizen presently living and working in the UK. I have no firm intention to return to Australia in the near future. Am I eligible to apply for Death/TPD cover in the Aon Master Trust?

A. If this person is an Australian resident - and presumably on secondment to the UK only - then we can cover them on the understanding that any claims that may arise may be assessed here in Australia. The UK as a risk is okay - but we must ensure that we are happy with the claims data that comes in.

Budget postscript

The Federal government released the 2005/06 Budget on 10 May 2005. The following announcements could potentially affect your clients' financial wealth:

- The major superannuation change for the year is that the superannuation surcharge currently payable by higher income earners **will be abolished from 1 July 2005**. This means that from 1 July 2005, the surcharge will no longer apply in respect of superannuation benefits that accrue, contributions made or termination payments received from that date.
- The Government's economic outlook expects a strong world economy in 2005-06.
- The Government has estimated a Budget surplus of \$8.9 billion in 2005/06 (\$2.4 billion in 2004/05).
- The biggest single feature of the Budget is the establishment of the so-called 'Future Fund', which will aim to set aside reserves to pay the ballooning costs of current and future public service retirees. \$16 billion has been forecast for this fund in the current year and the Treasurer expects this will earn \$460 million this year. The current liability for these retirement costs is about \$91 billion. The proceeds from the expected sale of Telstra, which are estimated to be \$33 billion, will also be paid to this fund, assuming that the sale is approved by Parliament.
- Personal income tax brackets are being raised again to ensure that more than 80 per cent of Australian taxpayers remain in or below the 30 per cent tax bracket and that only three per cent of taxpayers will pay the highest rate of 47 per cent as from 1 July 2006. Details are as follows:

Current tax thresholds	Current tax rate	New tax thresholds from 1 July 2005	Tax rate from 1 July 2005	New tax thresholds from 1 July 2006	Tax rate from 1 July 2006
Income range (\$)	(%)	Income range (\$)	(%)	Income range (\$)	(%)
0-6,000	0	0-6,000	0	0-6,000	0
6,001-21,600	17	6,001-21,600	15	6,001-21,600	17
21,601-58,000	30	21,601-63,000	30	21,601-70,000	30
58,001-70,000	42	63,001-95,000	42	70,001-125,000	42
70,001+	47	95,001+	47	125,001+	47

This means that for taxpayers earning \$95,000 per year the tax break in 2005 is \$41 per week and from 1 July 2006 the total tax break will be \$57 per week.

Splitting of superannuation contributions

The Government has re-announced its intention to allow the **splitting of superannuation contributions** with a member's spouse. The measure, previously intended to apply from 1 July 2005, will now apply to employer and personal contributions made on or after 1 July 2006. Trustees can decide whether or not a fund will accept a split. This change to the original splitting model, which proposed mandatory splitting, addresses concerns expressed by the industry that some funds will be forced to provide splitting where few or no members have an interest in taking up this offer.

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