Russell Investments

Russell Private Active Pension

Retirement isn't always black and white.

Russell Private Active Pension

There are many types of pensions and some of them aren't just for when you stop work. In fact, if you choose the right one, it can be your partner for the rest of your life.

Today, a pension can offer a flexible way to make the most of your money in the years leading up to your retirement - and can work hard for you afterwards. And with access to all the benefits of a regular bank account once you turn 60, it means you can have your money growing in the tax-free superannuation environment until the very moment you need it.

The Russell Private Active Pension offers all this and more. It combines a contribution account for accumulating your superannuation, and a pension account which pays you a regular income. Add to this at-call access to your pension funds through facilities like EFTPOS and ATMs, and you have a one-stop-shop for your superannuation, pension and banking needs.

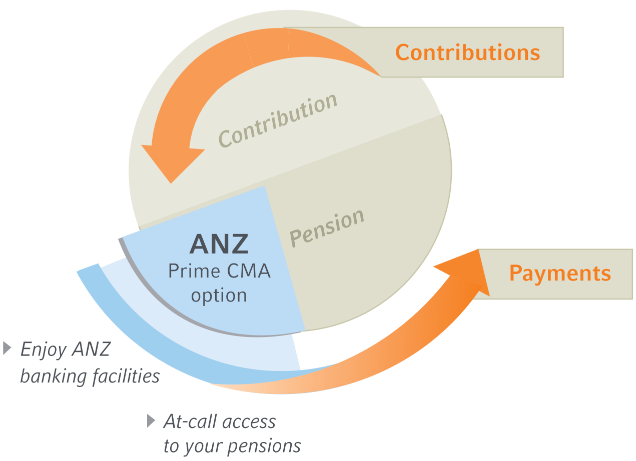
Transition into retirement

For those over 55 years of age, a transition to retirement strategy allows you to access your superannuation even when you're working on a full-time or part-time basis. The Russell Private Active Pension is ideal for anyone looking to commence this strategy.

This means once you reach 55 or your preservation age, you can move your accumulated super into a pension.

You can then withdraw money to supplement your income from that pension, while at the same time salary sacrificing any excess income into your super via your contribution account.

An all-in-one account



KEY ADVANTAGES

- Full range of banking at your fingertips – after age 60 enjoy all the facets of integrated everyday banking.
- Low cost – no transaction costs when moving money between your contribution and pension accounts.
- One-stop-shop – a dedicated website means all your pension account details are at your fingertips.
- No administration fees or fees to establish, contribute to, withdraw from, terminate or switch investments within your account. Depending on the investment option, investment buy and sell costs may apply.
- Only one investment management fee that can be reduced by a higher balance. Rebates apply for amounts greater than $500,000. You can also link with a family member to take advantage of the rebate.

The key to this strategy is the tax treatment

- There is no tax paid on investment earnings in a pension.
- The money you draw down from the pension is tax free after the age of 60.
- By salary sacrificing your income, you swap your marginal tax rate for a 15% contributions tax.

These three concessions mean that you can significantly bolster your retirement savings, simply by paying less tax. And paying less tax means more money to invest.

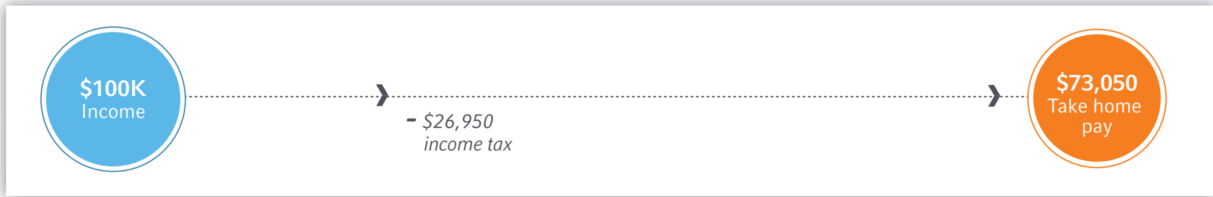
It works for Steve

Steve, 60, is still working full time, earning $100,000 plus 9% super, and plans to retire when he is 65. With five years up his sleeve he wants to bolster his retirement savings. While he will be limited by his concessional contributions cap of $50,000 a year until 2012 and then $25,000 (indexed) beyond, he talks with his financial adviser about taking out a Russell Private Active Pension so he can start a transition to retirement strategy and salary sacrifice more into his super. He salary sacrifices as much as possible of his salary into his contribution account and draws down an amount from his pension account (subject to a minimum of 4% and a maximum of 10% of his pension account) so that he still has the same amount of money on which to live.

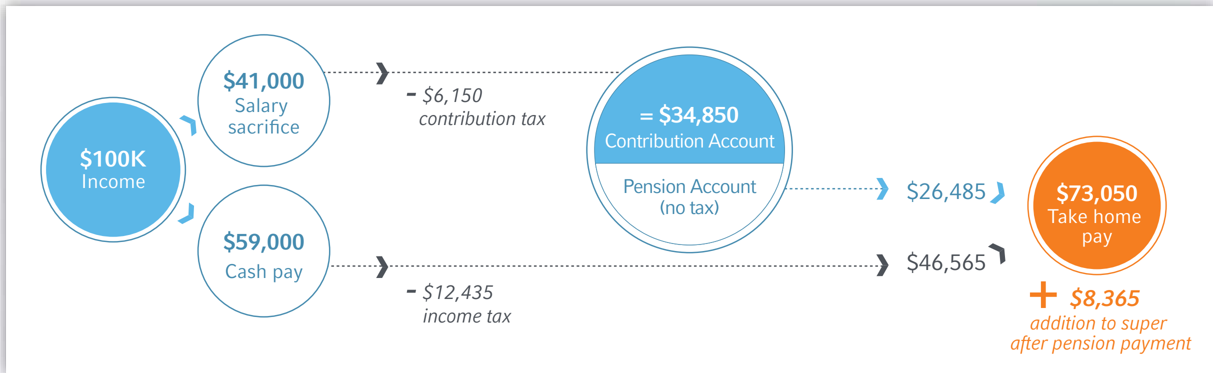
In one year Steve can save over $8,000 in tax and can contribute this to his superannuation by putting it straight into his contribution account in the Russell Private Active Pension. Because he is over 60, this is an effective strategy for Steve, as the income payments from his pension account are tax free.

If Steve was aged between 55 and 60 he could still benefit from this strategy while maintaining the same take home pay. The level of salary sacrifice contribution would be the same, but the pension income would provide a 15% tax offset rather than being tax free. In one year Steve can save $1,995 in tax with this strategy.

***Without* transition to retirement strategy**



***With* transition to retirement strategy**



All amounts are shown in today's dollar terms.

The illustration above is based on the tax rates applying for the year 2009/10 (including the medicare levy). The transitional concessional contribution limit of $50,000 per annum (up to 30 June 2012) applies. We assume no tax free component for the example of the impact between 55 and 60.

Seamless transactions

When you open a Russell Private Active Pension your funds will automatically be invested into your contribution account before being transferred free of charge to your pension account as and when you require. Once your money is in the pension phase you no longer have to pay 15% tax on your investment earnings and as a result you will have more money to invest.

By having a contribution account you can still contribute money to your super either through salary sacrificing your income, or making other contributions. For instance, you may discover some lost super that you want to transfer or perhaps you have come into an inheritance that you want to put away for your retirement.

It's simple for both you and your employer to contribute to your Russell Private Active Pension with BPAY®, cheque or direct credit via the internet.

Receiving your pension

When your money is in the pension account, by law you have to be paid a minimum amount each year, depending on your age. As a special provision for the 2009/10 financial year, minimum payments are reduced by 50%. The table shows the minimum amounts that apply in standard years.

Age	Minimum pension payment
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 and over	14%

Generally, if you are still working and under 65 years of age, then you can only withdraw up to a maximum of 10% of your pension account balance.

Visit **www.russell.com.au/rates** for the latest figures.

At-call access to your retirement savings

Accessing funds from your pension account has never been easier. Once you turn 60, you can open an ANZ Prime Cash Management Account (CMA) as part of your pension account, which gives you at-call access to your funds. You can then withdraw your pension conveniently through ATMs, EFTPOS and ANZ internet or phone banking. You get all the benefits of a regular bank account including an ANZ Access card, with the security of Russell superannuation.

Making the most of your money

As the ANZ cash account is within your pension account, you don't have to access money ahead of time but rather as you need it. Mark, 67, is planning a world trip with Wendy and they estimate it will cost them $40,000. If he were to take the full amount out of his pension and then discover he only needed $25,000, he would have lost the ability to return that money into the super environment. As he is over 65 (but under 75) he would have to work for 40 hours in a 30-day period to qualify to make a contribution.

With the ANZ Prime CMA, Mark can keep the money in his pension account even while he is travelling and just draw down the funds as and when he needs them. In the meantime the money is still working hard for him in the tax-free environment and what he doesn't spend on his holiday can stay there.

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Russell's investment expertise

When you invest with us, you can be sure you're in safe hands. We are a global investment management company working with investors of all sizes in 46 countries.

We continually monitor around 8,000 investment products and select only the best-of-breed investment managers to put to work in our portfolios. With over 70 years' experience in researching, selecting and constructing portfolios – not only for some of the world's largest investors, but also individuals like you – we've come to know a thing or two about building diversified, stable portfolios that deliver consistent returns.

But don't just take our word for it. We've been acknowledged by some of Australia's, and indeed the world's most reputable researchers and industry experts.

Russell's investment quality has been recognised and validated by the industry's top experts.

[1]

Russell Private Active Pension (2007, 2008, 2009)

Built for consistent returns

We believe the key to diminishing investment risk without sacrificing long-term returns is through diversification.

History has shown us that no one asset class or investment manager outperforms another on a consistent basis. Similarly, investment styles go in and out of favour with the market.

That's why our portfolios are diversified across three levels – by asset classes, investment managers and their investment styles. Our investment philosophy, which we call MULTI ASSET MULTI STYLE MULTI MANAGER™, aims to provide consistent, risk-adjusted performance year after year.

Investment choices to suit you

Whatever your risk profile, your financial adviser can help you determine the appropriate mix to suit your individual needs.

› **Sector Portfolios –** choose from a range of options across Australian and global asset classes.

› **Diversified Portfolios –** these fully implemented investment solutions invest across a range of asset classes and specialist investment managers.

You can also call the Helpline to discuss your options.

Would you like to know more?

Making a financial choice is an important decision. While the Russell Private Active Pension is an effective solution for anyone over 55 years who is either in the workforce or retired, you should still assess whether the product is right for your particular circumstances. Our specialists on the Pension Helpline can assist you with this, or alternatively, speak with your financial adviser.

You may need help in calculating how much to salary sacrifice, how much your pension balance should be and the amount you may need to receive as a pension each year. In addition you can also get help in establishing what is the best portfolio mix to suit your risk profile. If you don't have a financial adviser and would like to be referred to one we can help. Call our Helpline today.

More information

Speak with your financial adviser or contact Russell:

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