

2 Minutes on Super

NEWS, REMINDERS AND TIPS ABOUT YOUR SAVINGS

MARCH 2019



First-home benefit now available

The first-home withdrawal facility is now in place as of 1 March 2019. That means you can apply to access your savings in PSS towards the purchase of a first home in the same way as KiwiSaver members. To be eligible, you need to have been a member of the PSS for at least 3 years. If you've been a member of PSS for less than 3 years, you may still qualify if you are a member of a KiwiSaver scheme or a complying superannuation fund and have been for at least 3 years. If you have owned a home previously, you may be eligible to make a first-home withdrawal if your financial position in terms of assets and liabilities is what would be expected of a person who has never owned a home. You can read more about eligibility and how to access this benefit on the website.

[Find out more about first-home withdrawals.](#)

Market volatility continues

The big story in the last quarter of 2018 was the significant fall in share prices in November and December. You may be wondering what it all means for your own investment choice. Remember, past returns aren't a good indicator of future returns and investment is about taking a longer-term view. For example, if you had withdrawn your money at the low point in markets on Christmas Eve, you would have missed out on the upswing that occurred in January and through to the time of writing in late February that saw US shares rally 15–20%. Mercer touches on this in its latest monthly report. You can expect returns from growth assets like shares to be volatile – and you need time to ride out the highs and lows. The question to ask is when will you need to use your savings, whether your current strategy is appropriate given that time horizon, and what tolerance you have for possible volatility in the value of your savings. Our risk profiler is a good place to start if you're not sure which investment option is right for you, or speak with an authorised financial adviser.

- Assess your options using our [risk profiler](#).
- Read Mercer's latest [monthly report](#).
- Read more about [choosing an option](#).

PIE status will benefit some part-time staff and retained members

The PSS will become a portfolio investment entity (PIE) from the end of June 2019. At the moment, all investment earnings are taxed at a flat rate of 28%. As a PIE, we will be able to tax investment earnings at a rate based on an individual member's income. For most members, there will be no change. This is because the top PIE tax rate (called a prescribed investor rate or PIR) is 28% if your taxable income was over \$48,000 in both of the previous two income years. However, the change will potentially benefit part-time staff on lower incomes and make the PSS a more attractive investment option for retained members (members who have left Police but retained their savings in the scheme). You will need to fill in a form to let us know your PIR if you want to take advantage of a lower tax rate. This form will be available on the website from 1 April. We'll send you a reminder closer to the time. If you don't let us know your PIR, your investment earnings will be taxed at the default rate (currently 28%).

Periodic table turns 150

Whether you loved chemistry at school or loathed it, you probably have at least the first half a dozen elements in the periodic table seared into your brain. This famous chart was created by Russian chemist Dmitrii Ivanovich Mendeleev in 1869. Mercer has its own Periodic Table of Annual Investment Returns and has taken the concept to create an interactive tool to illustrate how the performance of asset classes varies over time and, therefore, the value of diversification. Diversifying among asset classes is one way we reduce the risk of severe fluctuations in investment returns. That's because returns for the different asset classes don't always all move in the same direction at the same time. One year, for example, international equities may be the top-performing asset class. The next year, international fixed interest might outshine the rest. While including a range of asset classes within a portfolio may limit very large gains, importantly, it can help mitigate against heavy losses. Diversification means that returns from asset classes that are outperforming others help compensate for poor returns from others that may be underperforming. This helps to smooth out volatility without jeopardising the expected increase in the value of an investment portfolio over the long term.

[View the Mercer periodic table](#)

Tax changes just talk at this stage

You will have seen media coverage of the release of the Tax Working Group's final report. Its central recommendation is a capital gains tax on all investments apart from the family home. The report recommends that such a tax should include assets like property and shares and would, therefore, have an impact on the tax treatment of the assets of retirement savings schemes. A recommended reduction in existing taxes on earnings is designed to offset the financial impact of a capital gains tax to some degree. It's important to remember that these are recommendations and not government policy. The Finance Minister has said that, given the sheer volume of recommendations, it's unlikely all of them would be adopted. It's a case of wait and see as there is a good deal of water to go under the bridge before any changes are made. We will continue to monitor developments and keep you up to date.

Proof of bank details required for benefit payments

We can only pay benefits into an account in your name, so this excludes family trust accounts, business accounts and accounts in someone else's name. That's why we need to ask for supporting evidence of your bank account details when you make a withdrawal, and it also helps prevent a slip-up in transcribing your account number. The evidence needs to show the name the account is in and the bank account number. The simplest way is to take a screenshot from your internet banking or photocopy of the top of a bank statement or ask your bank to print and sign a verification of account slip. Once Mercer has this information on file, you won't need to provide it again unless you change your account. This extra step is designed to help protect members against fraud. It's also required by our auditor.

Latest returns

Unit prices are updated on the website each business day. Each month, we also post returns based on the change in unit prices over a given period expressed as a percentage. The February returns will be posted in the next week. This provides another way for you to follow the performance of your investment.

	NET RETURN %			
	Growth	Balanced	Stable	Cash Plus
January 2019	4.24	3.06	1.44	0.15
7 months to 31 January 2019	(0.73)	0.19	0.62	0.97
Year to 30 June 2018	7.09	5.31	3.54	1.61

These returns are after tax and fees.



Got a question?

policiesuper.co.nz

You'll find plenty of information about the PSS and your membership online. Our website is optimised for mobile phones and tablets and has lots of features to help you manage your super.

0800 PSSSCHEME (0800 777 243)

The helpline hours are 9.00am to 7.00pm, Monday to Friday (except public holidays).