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Zurich Account-Based Pension

Additional Information Booklet

Issue date: 11 March 2011

Important notes

Preparation date: 21 February 2011

This document is the "**Zurich Account-Based Pension – Additional Information Booklet**" referred to in the Zurich Superannuation Plan ('ZSP') and Zurich Account-Based Pension ('ZABP') Product Disclosure Statement ('PDS') dated 11 March 2011.

The PDS is an important document and is available online at www.zurich.com.au or by calling the Client Service Centre on 131 551. You should read the PDS and all incorporated documents referred to in the PDS (available online at www.zurich.com.au/ZSPandZABP) in full before making a decision about the ZABP.

The information contained in this document is general information only. It does not take into account your personal investment objectives, financial situation or particular needs. You should consider the appropriateness of this product having regard to your objectives, financial situation and needs. We recommend you seek professional financial advice before making any decision affecting your investment in this product.

'The Trustee' means Zurich Australian Superannuation Pty Limited ABN 78 000 880 553, AFSL 232 500. Zurich Australian Superannuation Pty Limited is the trustee of the Zurich Master Superannuation Fund ABN 33 632 838 393 (the 'Fund') and the issuer of the ZSP and ZABP.

'Zurich', 'us', 'our' and 'we' normally means Zurich Australia Limited ABN 92 000 010 195, AFSL 232 510. Zurich is the administrator of the ZSP and ZABP, and the issuer of insurance policies to the Trustee.

Investments in the ZSP and ZABP are subject to investment risk, including possible delays in repayment and loss of capital invested. Unless specifically stated, there is no guarantee of the performance of any of the investment options or the repayment of capital. All investments are made through a life insurance policy issued by Zurich. Through this life policy, each of the investment options is invested in underlying unit trusts managed by Zurich Investment Management Limited ABN 56 063 278 400, AFSL 232 511 ('Zurich Investments' or 'ZIM') or other selected managers. The Trustee and Zurich reserve the right to vary the way in which each investment option is invested.

The assets of the ZSP and ZABP are held within the No. 3 Statutory Fund of Zurich.

Any organisations referred to in this document, including any external investment managers, have consented to the references to their organisations in this document.

Up-to-date information

The rules and laws governing superannuation (including tax laws) may change from time to time, so it is important to ensure you are reading the most recent version of this document (available online at www.zurich.com.au/ZSPandZABP) and discuss how any changes may affect your investment with your financial adviser. If you would like to receive a printed version free of charge please contact the Zurich Client Service Centre on 131 551.

Contents

What are the minimum and maximum pension payment amounts?

You can choose the total amount you receive each year as a pension, subject to a minimum limit and if you purchase a non-commutable pension a minimum and maximum limit set by the government. The minimum limit depends on your age and your account balance. It is calculated when you initially invest and then each year on 1 July. See below for the minimum amounts.

Calculation of minimum payment amounts

The minimum annual payment amount that you can draw each year from your account-based pension is calculated using the following formula:

account balance x percentage factor

The percentage factors are based on your age at 1 July each year or, with regard to the initial percentage factor, on the date when you first invest in the account-based pension.

For the financial year to 30 June 2011, the Government reduced the standard minimum percentage factor shown below as the reduced minimum.

Age	Standard minimum as a % of account balance	Reduced minimum as a % of account balance*
Under 65	4	2
65 – 74	5	2.5
75 – 79	6	3
80 – 84	7	3.5
85 – 89	9	4.5
90 – 94	11	5.5
95+	14	7

* Note that these reduced minimums may cease to apply from 30 June 2011. You should seek advice from your financial adviser regarding the minimum annual payment that will apply from that date.

Non-commutable account-based pension (transition to retirement pension)

If you purchase a non-commutable account-based pension your annual income will be subject to a **maximum limit of 10% of your account balance**.

What happens on death?

Under the ZABP, members can choose whether or not to nominate a beneficiary to receive their account-based pension benefit in the event of their death. If you do not nominate a beneficiary or your beneficiary dies before you, or your beneficiary is no longer a dependant, the money will generally be paid to your estate or dependants or a combination as determined by the Trustee.

Nominated beneficiary

Any nominated beneficiary is used as a guide to whom your dependants are, but is generally not binding on the Trustee. The Trustee may decide that payments should continue to your spouse or dependants, or may pay the money as a lump sum to your spouse, dependants or estate.

At any time you can elect a new nominated beneficiary in writing to us. A new election is only effective once the Trustee receives your written request and revokes all previous elections.

The beneficiary you nominate must be your legal personal representative (generally your estate) or a dependant as defined by the Trust Deed. A dependant is defined to include your spouse (including de facto spouse), your children (including adopted and stepchildren) and any other person you have an interdependency relationship with (refer page 4). You must notify the Trustee if your nominated beneficiary ceases to be a dependant. Recent legislation broadens the definition of spouse and children (allowing same sex partners and their children to be nominated).

Binding nomination

Your nomination is only a guide for the Trustee and they are obliged to pay your death benefit in accordance with the trust deed and superannuation laws. In order to make your nomination binding, the trust deed and superannuation laws require special conditions be met. The Trustee has developed a flexible approach to binding nominations which gives you the opportunity to choose various methods when setting up your nominations.

Binding nomination beneficiaries can be made as either a category (e.g. spouse) or as a specific individual (e.g. where you actually name the individual). For example, you could select 'children' which would cover all your children, or you could elect to nominate a specific child.

For further information on binding nominations, including the nomination form, please ask your financial adviser to provide you with a copy of the Zurich Super Estate Management Binding Nomination brochure. Alternatively a copy of the brochure can also be obtained by contacting the Zurich Client Service Centre on 131 551.

You should consult your financial adviser for information regarding the nomination of a beneficiary.

No nomination

If you do not nominate a beneficiary, the money will be paid to your estate or dependants or a combination as determined by the Trustee. The Trustee may decide that payments should continue to your spouse or dependants, or it may decide to pay the money as a lump sum to your spouse, dependants or estate.

Reversionary beneficiary nomination

If you elect a reversionary beneficiary, in the event of your death, the regular payments will generally continue to be made to the person you nominate as a reversionary beneficiary on the application form. There can only be one reversionary beneficiary nominated at any time.

If your reversionary beneficiary dies before you or your reversionary beneficiary is no longer a dependant (as defined on page 4) at the time of your death, your nomination will become invalid and the money will be paid to your estate or dependants or a combination as determined by the Trustee. In this case the Trustee may decide that payments should continue to your dependants, or it may decide to pay the money as a lump sum to your dependants or estate. Non dependants are not entitled to receive a death benefit as a pension.

If payments to the reversionary beneficiary have commenced, and the reversionary beneficiary subsequently dies whilst still entitled to a pension, the balance of the benefit will be paid as a lump sum to the reversionary beneficiary's estate.

A reversionary beneficiary nomination is generally binding on the Trustee and is irrevocable. This means that you cannot change your decision once you have nominated a reversionary beneficiary.

So long as your reversionary beneficiary nomination is valid, the nomination overrides all of your existing or previous binding or non-binding nominations to the Trustee (if any).

Because such a nomination is generally binding, so long as it is valid the reversionary beneficiary will generally receive any benefits payable regardless of any changes in your personal circumstances. Therefore we recommend you discuss the appropriateness of such a nomination with your financial adviser.

Important rules applying to the nomination of a reversionary or nominated beneficiary

The reversionary or nominated beneficiary you nominate must be a dependant as defined by the Trust Deed or – in the case of a nominated beneficiary only – your legal personal representative (generally the administrator of your estate). A dependant includes^:

- your current spouse (including de facto spouse),
- your children* (including adopted and stepchildren),
- someone who is financially dependent on you, or
- someone with whom you have an 'interdependency relationship' (refer below).

You must notify the Trustee if your reversionary or nominated beneficiary ceases to be your dependant (as defined above) during the payment period of your investment.

Any payment we make to your reversionary or nominated beneficiary or your estate in the event of your death will take into account all payments already made by us to the time of the notification of your death to us. This means that any payment(s) made by us according to the terms of your plan between the date of your death and the date of the notification of your death to us will not be included again in any payment we make to your reversionary or nominated beneficiary or your estate.

Please refer to page 5 for tax and Social Security information related to the nomination of a reversionary or nominated beneficiary. We recommend you review the appropriateness of your nomination annually or as your circumstances change.

You should consult your financial adviser for information regarding the nomination of a beneficiary.

Definition of an interdependency relationship

Two people have an interdependency relationship if:

- they have a close personal relationship; and
- they live together; and
- one or each of them provides the other with financial support; and
- one or each of them provides the other with
  (i) domestic support and personal care, but not if one of them provides domestic support and personal care to the other under an employment contract or a contract for services or on behalf of another person or organisation such as a government agency, a body corporate or a benevolent or charitable organisation; or
  (ii) support or care of a type and quality normally provided in a close personal relationship, rather than by a mere friend or flatmate.

Two people also have an interdependency relationship if they have a close personal relationship but, they do not meet the other requirements of interdependency because:

(a) due to either or both of them suffering from a disability including a physical, intellectual or psychiatric disability, or

(b) they are temporarily living apart.

In determining whether two people have an interdependency relationship, the Trustee must consider the following matters:

- all of the circumstances of the relationship between the people, including (where relevant):
  (i) the duration of the relationship; and
  (ii) whether or not a sexual relationship exists; and
  (iii) the ownership, use and acquisition of property; and
  (iv) the degree of mutual commitment to a shared life, and
  (v) the care and support of children; and
  (vi) the reputation and public aspects of the relationship; and
  (vii) the degree of emotional support; and
  (viii) the extent to which the relationship is one of mere convenience; and
  (ix) any evidence suggesting that the parties intend the relationship to be permanent;
- the existence of statutory declarations to the effect that the person is, or was, in an interdependency relationship with the other person.

^ The definition of spouse and children has been broadened to allow same sex partners and their children to be nominated.

* Death benefits are able to be paid as a pension to a child only where the child is under 18, aged 18 to 24 (inclusive) and financially dependent upon you, although when the child turns 25 the balance in the Fund will have to be paid as a lump sum (tax free) to the child. However if the child is permanently disabled the pension can continue to be paid beyond age 25 and does not have to be paid as a lump sum.

Taxation information

The following review of the taxation issues affecting your account-based pension investment should be used as a guide only, as individual circumstances may be quite different. The laws governing superannuation are complex, so please contact your financial adviser to develop a strategy most suited to your needs before you decide to invest.

This taxation information is based on the taxation laws which were current at the time of preparation of this document and any assumptions and examples are based on the continuation of laws and rulings current at that date and their interpretation by Zurich. We will advise you in the Annual Fund Report if there are any changes to the general tax situation as described in the PDS.

An account-based pension plan is an investment that pays you regular income payments in a tax-effective environment. Generally account-based pension payments may be subject to tax on income payments received under the age of 60. Income payments you receive from your ZABP on or after age 60, will be tax-free.

Tax on rollovers to an account-based pension plan

Any tax that would otherwise be due on receipt of a lump sum can be generally deferred or reduced. However tax may be deducted by the Trustee from superannuation lump sum money containing an 'untaxed' component.

Tax on earnings

No income tax is paid by Zurich on its investment earnings relating to the ZABP.

Imputation credits

The ZABP will generally benefit from any imputation credits (from share dividends) earned on the options' investment earnings. The calculation of unit prices takes into account a credit given to the account-based pension options equivalent to the imputation credits earned by those options.

Tax on withdrawals

	Prior to age 60	Age 60 +
Lump sum	**Tax-free component:** Tax free (The tax-free component comprises the former pre-July 1983 component [converted into a fixed amount as at 30 June 2007], the CGT exempt component, the post-June 1994 invalidity component, the concessional component, undeducted contributions and non-concessional contributions.) **Taxable component:** Under age 55: maximum 20% plus Medicare levy Aged 55 – 59: Up to low-rate cap amount*: Tax free Balance: maximum 15% plus Medicare levy The **taxable** component comprises the former post-June 1983 component and non-qualifying component, and concessional contributions. * Low-rate cap amount is $160,000 for 2010/11 and will be indexed to Average Weekly Ordinary Time Earnings ('AWOTE') in increments of $5,000.	**Total Lump sum:** Tax free
Pension payments	**Tax-free component:** Tax free **Taxable component:** Under age 55: Taxable at marginal tax rate. Tax offset of 15% is available only if payment is also a disability superannuation benefit. Aged 55 – 59: Taxable at marginal tax rate, and pension offset of 15% is available. *(**Note:** Zurich will withhold the tax from your payments on a Pay As You Go (PAYG) basis, in a similar fashion to salary and wages. At the end of each financial year, we will send you a PAYG payment summary to include in your annual tax return if you are under age 60.)*	**Total pension payment:** Tax free

Proportional drawdown of benefits:
When part or full payment of a superannuation benefit is made, the benefit paid will be considered to include the tax-free and/or taxable components with the relevant portions of each reflecting the proportions such components make up of the total benefit. For pensions it will be the proportions as at the commencement of the pension (i.e.the components will be fixed for the life of the pension).

Additional information on pension payments:

Reduction of assessable income

You may be entitled to a reduction of the assessable amount for part of your regular payments, called your 'tax-free amount'.

The tax-free amount that is included in each income payment paid to you will depend on the proportion of the tax-free amount remaining in your account-based pension and will depend on whether you commenced your pension prior to 1 July 2007.

The full superannuation pension tax offset of 15 per cent will apply to your account-based pension if you are aged 55 to 59 years old.

Once you turn 60, your pension payments will be tax free.

Tax offsets on PAYG tax

The amount of PAYG tax deducted from your regular payments may be reduced if you are entitled to any general tax offsets. You can tell us if any of these apply when you complete the Tax File Number Declaration form. You can also choose to claim the superannuation pension tax offset directly from us or alternatively at the end of the financial year as part of your tax return. The form is contained with the PDS or is available from your financial adviser.

Generally, if you are between 55 and 59, you will be eligible for a tax offset of 15% of your assessable payments after allowing for a tax-free amount from your account-based pension. This tax offset reduces your tax liability on assessment and you can choose to reduce your PAYG tax liability.

If you are under 55 you may be eligible for a tax offset of 15% of your assessable payments if the pension is paid to you due to a permanent disability.

Tax on Lump Sum Death Benefits

Lump sum death benefit payments will be tax free if paid to a dependant. Dependants can be a current or former spouse, child under 18, a person financially dependent on the deceased or someone with whom you have an 'interdependency relationship'. Refer to page 4 for the definition of an 'interdependency relationship'.

The taxable component of a lump sum paid to a non-dependant will be taxed at 15% plus Medicare Levy. Any untaxed component of a lump sum will be taxed at 30% plus Medicare Levy.

Tax on reversionary pension death benefits

The taxation of a death benefit paid as a reversionary pension will depend on the age of the primary and reversionary beneficiary. The pension will only be taxed if both the member died under age 60 and the reversionary pensioner is under age 60 in which case it will be taxed at the reversionary pensioner's marginal tax rate (less any tax free amount and pension tax offset). Otherwise it will be tax free. Where the pension is taxable it will become tax free when the reversionary pensioner attains 60 years of age.

Death benefits will be able to be paid as a pension to a dependant if the member dies before commencing a pension. These pensions will be taxed in the same way as a reversionary pension.

Death benefits will be able to be paid as a pension to a child of yours who at the time of your death is under 18, 18–25 and financially dependant on you, or permanently disabled. When the child turns 25 the balance of the pension account must be paid as a lump sum (tax free) unless the child is permanently disabled in which case the pension may continue to be paid indefinitely.

Tax on lump sum terminal illness benefits

The taxation of benefits paid under disability will vary if you are terminally ill. If it is determined that you are terminally ill the benefit is tax-free.

Note that a member will be taken to be terminally ill if it is certified by two medical practitioners (at least one of these a specialist) that they are suffering from an illness which in the normal course would result in death within a period of 12 months.

Tax on lump sum disability payments

When a Superannuation Lump Sum payment is made to a member who has qualified as permanently disabled, part of the Superannuation Lump Sum paid for this reason may be tax-free.

Generally speaking the amount of the payment that is tax-free is linked to the member's period of future employment service that is lost. For further information on the taxation treatment for disability payments please speak to your financial adviser.

Social security implications

Centrelink and the Department of Veterans' Affairs have a method of means testing pensions and annuities. Centrelink assesses account-based pensions as follows:

Income test	Assets test
Gross annual payment less deduction (based on purchase price divided by your life expectancy).	Account balance revalued every six months.

If you nominate a reversionary beneficiary to your ZABP (see page 3 for a full explanation) the deduction for the income test will be calculated using the longer life expectancy of you or the reversionary beneficiary. This may reduce the deduction and increase your assessable income under the income test. If you withdraw part of your account balance, the deduction for the income test will be recalculated. Your financial adviser can explain the impact that your investment will have on your social security eligibility in more detail.

Tax file numbers

Your TFN is confidential and you should know the following things before you decide to provide it.

- Under the Superannuation Industry (Supervision) Act 1993, taxation legislation and the Privacy Act 1988, we are allowed to collect your TFN.
- If you do provide your TFN to us, we will use it only for legal purposes. This includes finding or identifying your superannuation benefits where other information is insufficient, calculating tax on any superannuation lump sum you may be entitled to, allowing your superannuation provider to quote your TFN to the ATO when reporting details of contributions for the purposes of the Superannuation Surcharge Tax, and providing information to the Commissioner of Taxation. These purposes may change in future.
- It is not an offence if you choose not to quote your TFN. However, if you don't tell us your TFN, either now or later, you may pay more tax on your benefits than you have to. You may reclaim this through the income tax assessment process. It may also be more difficult to find your benefits in the future to pay you any superannuation benefits you are entitled to, or to amalgamate or find any other benefits for you. These consequences may change in the future.
- If you provide your TFN to us, we may provide it to the Trustee of any other superannuation fund to which your benefits are transferred in the future. We will not pass your TFN to any other Fund if you tell us in writing that you do not want us to pass it on. Otherwise we will treat it as confidential.
- Please note that the ATO will provide your TFN details to the Trustee on your behalf unless you instruct the ATO otherwise.

Your financial adviser

If you want to maintain a comfortable standard of living in retirement, it is essential to adequately structure your investment portfolio. For most people, the Age Pension benefit provided by Social Security will not provide the level of income required to maintain the same standard of living in retirement that we are accustomed to in our working years.

This is where your financial adviser can help. Your financial adviser is required to be qualified, sufficiently trained and appropriately licensed or authorised by a licensee to provide financial advice. Your financial adviser is not an agent of the Trustee or Zurich but acts on your behalf.

Your financial adviser can:

- help you assess your financial situation
- identify your protection, investment and retirement needs and
- structure solutions to meet these needs.

Your financial adviser's recommendations are backed by:

- product knowledge
- experience in servicing clients' financial needs and
- an understanding of how taxation and government regulations affect your investments.

Services your financial adviser can provide

Advisers are able to provide a range of personal services. These may include:

- an initial evaluation of your current financial position to identify your protection, retirement and investment needs
- explaining the fundamental investment concepts that you can apply to your retirement plans
- determining an appropriate strategy to meet your requirements
- selecting those products in the most cost-effective manner
- providing an ongoing review of your financial situation and, where necessary, recommending amendments to your investment to reflect changes in your circumstances
- advising you of your options in regard to your retirement payout to take advantage of various concessions available
- keeping you abreast of legislative changes that may affect your investments and
- providing ongoing support including answering any enquiries you may have regarding your investment.

We recommend that you confirm with your financial adviser the particular services they are able to offer you.

Adviser remuneration

The financial adviser recommending this product to you may receive payment ('remuneration') for advice and services to you in relation to the ZABP. Financial advisers have to meet their expenses from this remuneration, and also rely on it to provide an income.

Your financial adviser has two options available in respect of how they can receive their remuneration and will discuss with you the best option to suit your needs. The options available include:

(1) Commission-based

OR

(2) Member advice fee

Adviser remuneration is negotiable between you and your adviser.

Full details of the remuneration your financial adviser can receive can be found in the Zurich Superannuation/Zurich Account-Based Pension PDS on page 32.

Adviser remuneration example:

The following examples illustrate the amount of initial and ongoing remuneration paid to your financial adviser based on the different remuneration structures. **These examples do not take into account your personal circumstances and are intended as an illustration only.** These examples need to be read in conjunction with the information on page 32 of the PDS on fees and adviser remuneration.

	Option to pay contribution fees upfront (Entry Fee)	Option to pay contributions fees later (Nil Entry Fee)
Commission-based fee structure		
Initial remuneration		
Assuming you make a lump sum investment of $50,000 and the maximum initial adviser remuneration applies.	$50,000 x 4% = $2,000	$50,000 x 3% = $1,500
Ongoing remuneration (paid to the adviser monthly):		
Assuming you have an account balance of $50,000 and the standard ongoing adviser remuneration of 0.45% pa applies.	Account Balance x 0.45% / 365 x no. of days in the month (30 days for this example) $50,000 x 0.45% / 365 x 30 = $18.49 per month.	Account Balance x 0.45% / 365 x no. of days in the month (30 days for this example) $50,000 x 0.45% / 365 x 30 = $18.49 per month.
Assuming you have an account balance of $50,000 and the maximum ongoing adviser remuneration of 1% pa applies	Account Balance x 1% / 365 x no. of days in the month (30 days for this example) $50,000 x 1% / 365 x 30 = $41.10 per month.	Account Balance x 1% / 365 x no. of days in the month (30 days for this example) $50,000 x 1% / 365 x 30 = $41.10 per month.
Member advice fee structure		
Initial member advice fee		
Assuming you have an account balance of $50,000 and have agreed to an initial member advice fee of 5%.	$50,000 x 5% = $2,500	Not applicable
Ongoing member advice fee		
Assuming you have an account balance of $50,000 and you have agreed to an ongoing member advice fee of 0.50%	Account balance x 0.50% / 365 x no. of days in the month (30 days for this example) $50,000 x 0.50% / 365 x 30 = $20.55 per month	Not applicable

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