

1 OCTOBER 2015

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# DEFENCE FORCE **SUPERANNUATION SCHEME**

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**A GUIDE TO HELP YOU MAKE THE MOST OF YOUR MEMBERSHIP**



The Defence Force Superannuation Scheme is registered as a superannuation scheme under the Superannuation Schemes Act 1989 and is closed to new members. This document provides an overview of certain new features within the Defence Force Superannuation Scheme as at the date of publication and is not necessarily exhaustive. While every reasonable effort has been made to ensure that the information contained in this communication is correct, none of the New Zealand Defence Force, Trustees Executors Limited (as trustee of the Defence Force Superannuation Scheme), Mercer (N.Z.) Limited (as investment manager of the Defence Force Superannuation Scheme) or any other person accepts any responsibility arising in any way from any error or omission or for any consequences flowing from its use.



# MORE THAN BEFORE

## **THE DEFENCE FORCE SUPERANNUATION SCHEME**

**This member booklet will help you understand the new features available in the Defence Force Superannuation Scheme**

**We've made improvements to the Scheme so that you can have more than before.**

### THIS BOOKLET ALSO INCLUDES

SECTION 1: Scheme basics

SECTION 2: More investment choices

SECTION 3: More Defence Force Superannuation Scheme choices

SECTION 4: Helping with your decisions

# 5

## REASONS THE SCHEME IS BETTER

NEW ZEALAND DEFENCE FORCE (NZDF) HAS IMPROVED THE SCHEME WITH THE AIM OF MAKING YOU BETTER OFF.

1

This scheme exists for you, not profit. This means the Scheme's fees are able to be kept low. Low fees mean you save more. The priority is the financial wellbeing of the Defence Community.

2

We have introduced investment choice. Before you had one investment option, now you have seven to choose from. Mercer (N.Z.) Limited's (Mercer) investment specialists have been managing superannuation schemes in New Zealand for over 55 years and will manage your savings in the Scheme. Their local investment team bring their global knowledge to improve your investment returns.

3

We will support you and help you make good decisions. Good decisions can help ensure you stay on track and achieve your retirement saving goals. A team of financial advisers is available to you, as well as access to leading edge calculators, tools and information to help you plan for your future today.

4

We will reward participation. \$50,000 worth of rewards is available to members of the NZDF saving schemes each year. Rules apply.

5

You now have access to other complementary savings schemes that can work in tandem with your Defence Force Superannuation Scheme savings and deliver great outcomes for you and your family.

You can now also choose to join the New Zealand Defence Force KiwiSaver Scheme or the New Zealand Defence Force FlexiSaver Scheme. Both offer different benefits.

Interests in each of these schemes are issued by Mercer. The New Zealand Defence Force FlexiSaver Scheme is a section within Mercer FlexiSaver. A product disclosure statement for each of these schemes is available and can be obtained on the [force4families.nzdf.mil.nz](https://force4families.nzdf.mil.nz) website.

### Defence Community

You are in the Defence Community if you are a member of the New Zealand Defence Force (past or current), Veteran, partners, children or close relatives of current or past NZDF members.

# SECTION 1: SCHEME BASICS

The Scheme has three membership categories each of which is closed to new members. These are Category A, B and C.

	CATEGORY A	CATEGORY B	CATEGORY C
MEMBER CONTRIBUTIONS			
EMPLOYER CONTRIBUTION			
ACCESS TO FIRST HOME WITHDRAWAL			
INSURANCE			
ABILITY TO CONTRIBUTE TO THE SCHEME AFTER LEAVING NZDF			
LOW FEES			
INVESTMENT CHOICE			
ADVICE AND MEMBER SUPPORT			

 = NEW FEATURE

More information about each Category can be found in the FAQs and fact sheets available at [force4families.nzdf.mil.nz](https://force4families.nzdf.mil.nz).

**TO HELP YOU PREPARE FOR RETIREMENT AND SAVE MORE WE'VE IMPROVED THE SCHEME BY INTRODUCING:**

- ✓ Financial advice support and tools
- ✓ Investment choice
- ✓ Ability to remain in the scheme and contribute even after you leave NZDF.

**NEW ZEALAND DEFENCE FORCE SAVINGS SCHEMES CAN HELP**

As a member of the Defence Community you and your family will also have access to the New Zealand Defence Force KiwiSaver Scheme and the New Zealand Defence Force FlexiSaver Scheme.

**NEW ZEALAND DEFENCE FORCE KIWISAVER SCHEME**

KiwiSaver has been designed to help New Zealanders save for their retirement and the New Zealand Defence Force KiwiSaver Scheme has some additional benefits to help you save and retire with more.

**NEW ZEALAND DEFENCE FORCE FLEXISAVER SCHEME**

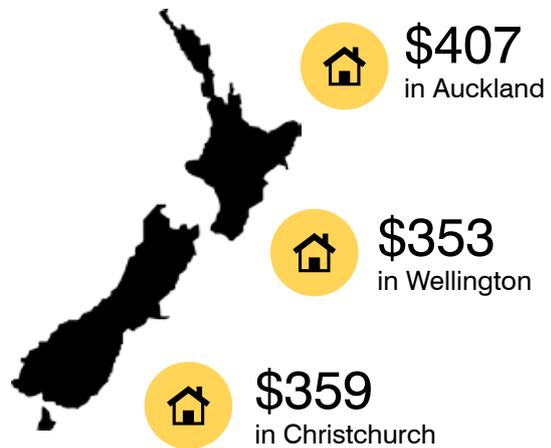
New Zealand Defence Force FlexiSaver Scheme is a section within Mercer FlexiSaver and has been designed to help you save for your future. It allows you to have more control and flexibility over your savings.

Visit [force4families.nzdf.mil.nz](http://force4families.nzdf.mil.nz) to read Product Disclosure Statements and for more information about both schemes. Mercer is the issuer of the interests offered in each of these schemes.

**COULD YOU LIVE ON NZ SUPERANNUATION ALONE?**

**AS AT 1 APRIL 2015 NEW ZEALAND SUPERANNUATION PAYS \$374.53 PER WEEK (AFTER TAX) FOR A SINGLE PERSON, LIVING ALONE.**

**AVERAGE WEEKLY RENT FOR 1 BEDROOM APARTMENT AROUND THE MAIN CITIES#**



**AFTER RENT A SINGLE PERSON ENTITLED TO NZ SUPER WITH NO OTHER INCOME SOURCES, WILL HAVE :**



**NO MONEY TO PAY RENT IN AUCKLAND AND WILL NEED TO FIND \$32 EXTRA.**

**HOW WILL YOU BE ABLE TO TOP UP YOUR NZ SUPER TO AFFORD RENT AND A COMFORTABLE RETIREMENT LIFESTYLE?**

#www.numbeo.com accessed on 14 September 2015.

# SECTION 2: MORE INVESTMENT CHOICES

When it comes to investing one size does not fit all. That's why the Scheme has introduced investment choice. Members of all categories will have seven investment options to choose from, each with a different focus.

You can choose to invest all of your savings in the scheme in one option, or split your savings between the different options.

Over time your needs might change so it's a good idea to check whether the investment option you have chosen is still right for you.

You can change your investment option(s) at any time.

**YOU CAN MAKE AN INVESTMENT OPTION SWITCH BY COMPLETING AN INVESTMENT OPTION SWITCH FORM OR BY SIGNING INTO YOUR SUPER ACCOUNT AND SWITCHING ONLINE.**

**DIFFERENT INVESTMENT FEES APPLY TO EACH OPTION.**

## HELP WITH CHOOSING YOUR INVESTMENT OPTION

No matter what age you are, the investment option you choose can have the biggest impact on your savings balance and lifestyle when you retire or on achieving your other financial goals such as buying a first home.

Your age and even your retirement goals are not the only things you should be considering when choosing your investment option. The option(s) you choose also depends on whether you're an aggressive investor with an appetite for risk or the type who likes to play it safe. Even if you are somewhere in between, the Scheme has an investment option for you.

To help you work out your risk appetite, take this quiz. This quiz is also available online via the [force4families.nzdf.mil.nz](http://force4families.nzdf.mil.nz) website.

# QUICK INVESTMENT QUIZ

1	WHEN DO YOU PLAN TO WITHDRAW MOST OF YOUR SAVINGS?	SCORE
<input type="radio"/>	0–2 years	0
<input type="radio"/>	2–5 years	3
<input type="radio"/>	5–10 years	6
<input type="radio"/>	10–15 years	8
<input type="radio"/>	More than 15 years	10

2	HOW MUCH DO YOU KNOW ABOUT INVESTMENTS AND FINANCIAL MARKETS?	SCORE
<input type="radio"/>	No understanding	0
<input type="radio"/>	Very little	2
<input type="radio"/>	Some	4
<input type="radio"/>	Moderate	6
<input type="radio"/>	High	8
<input type="radio"/>	Very high, I am a sophisticated investor	10

3	IF YOU'RE SEEKING A HIGHER RETURN ON YOUR INVESTMENT, DESCRIBE HOW WILLING YOU ARE TO ACCEPT INVESTMENT RETURNS THAT VARY EACH YEAR	SCORE
<input type="radio"/>	<b>None at all</b> – I want a steady return with no variation	0
<input type="radio"/>	<b>Low</b> – I'm ok with some small variation in the return	2
<input type="radio"/>	<b>Moderate</b> – I could accept some variation in the investment return	5
<input type="radio"/>	<b>High</b> – I don't mind variations as I'm a long term investor	8
<input type="radio"/>	<b>Very high</b> – I recognise that investment returns can vary significantly and that does not worry me	10

4	HOW CONCERNED WOULD YOU BE IF YOUR INVESTMENT VALUE FELL BY 20% OVER A 6 MONTH PERIOD?	SCORE
<input type="radio"/>	Very concerned	0
<input type="radio"/>	Somewhat concerned	3
<input type="radio"/>	A little concerned	8
<input type="radio"/>	Not concerned	12
<input type="radio"/>	Consider investing more	15

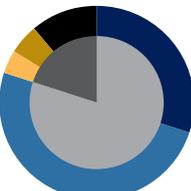
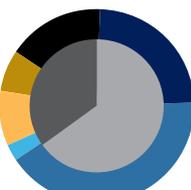
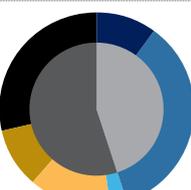
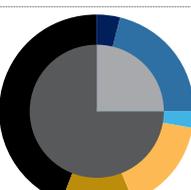
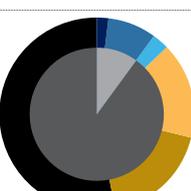
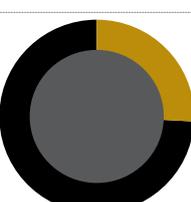
5	HOW IMPORTANT TO YOU IS IT THAT YOUR INVESTMENT GROWS FASTER THAN INFLATION?	SCORE
<input type="radio"/>	Not important	0
<input type="radio"/>	Slightly important	2
<input type="radio"/>	Fairly important	4
<input type="radio"/>	Very important	5

**ADD UP YOUR SCORE HERE** .....

AND MATCH YOUR SCORE TO AN INVESTMENT OPTION IN THIS BOOKLET.

The quiz and associated investment scores are a guide only, and it is recommended that you seek independent financial advice before you make any investment decisions.

## YOUR INVESTMENT OPTION(S)

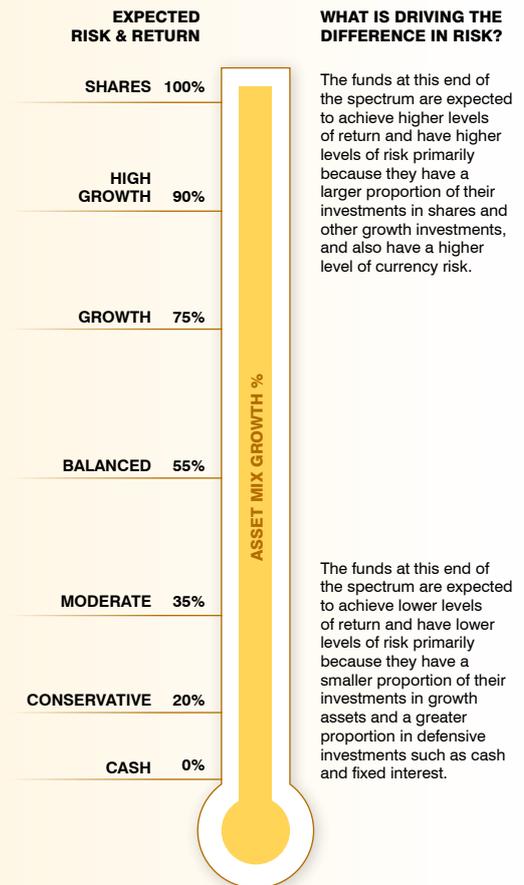
QUIZ SCORE	
<p><b>0–8</b>      <b>Cash</b></p> <p>The Cash option may be suitable for investors who do not want any nominal loss in the value of their investment and where funds may be required in the shorter term (for example, to take advantage of the first home withdrawal option or on retirement).</p>	 <ul style="list-style-type: none"> <li>■ Defensive 100%</li> <li>■ Cash 100%</li> </ul>
<p><b>9–15</b>      <b>Conservative</b></p> <p>The Conservative option may be suitable for investors who want to achieve slightly higher returns than those expected from investing solely in cash. Investors need to be comfortable with the possibility of some fluctuations in returns.</p>	 <ul style="list-style-type: none"> <li>■ Defensive 80%</li> <li>■ Cash 30%</li> <li>■ Fixed Interest 50%</li> <li>■ Growth 20%</li> <li>■ Real Assets 4%</li> <li>■ Trans-Tasman Shares 5%</li> <li>■ Global Shares 11%</li> </ul>
<p><b>16–26</b>      <b>Moderate</b></p> <p>May be suitable for investors who want to reduce the risk of a negative return by investing in a broader mix of assets and who are willing to accept slightly more volatile returns in the shorter term in exchange for improved longer-term returns.</p>	 <ul style="list-style-type: none"> <li>■ Defensive 65%</li> <li>■ Cash 24%</li> <li>■ Fixed Interest 41%</li> <li>■ Growth 35%</li> <li>■ Real Assets 9%</li> <li>■ Trans-Tasman Shares 7%</li> <li>■ Global Shares 16%</li> <li>■ Alternative Assets 3%</li> </ul>
<p><b>27–35</b>      <b>Balanced</b></p> <p>Invests in a wide range of assets. May be suitable for investors who want a diversified investment with exposure to shares and property, who are comfortable with a higher degree of volatility in returns than can be expected from the Moderate option and who can invest for the long term.</p>	 <ul style="list-style-type: none"> <li>■ Defensive 45%</li> <li>■ Cash 10%</li> <li>■ Fixed Interest 35%</li> <li>■ Growth 55%</li> <li>■ Real Assets 13.5%</li> <li>■ Trans-Tasman Shares 10%</li> <li>■ Global Shares 28.5%</li> <li>■ Alternative Assets 3%</li> </ul>
<p><b>36–40</b>      <b>Growth</b></p> <p>Invests mainly in growth assets such as shares and real assets. May be suitable for investors wanting to invest mostly in growth assets who are comfortable accepting more volatile returns than those expected from the Balanced option with a view to achieving higher longer-term returns.</p>	 <ul style="list-style-type: none"> <li>■ Defensive 25%</li> <li>■ Cash 4%</li> <li>■ Fixed Interest 21%</li> <li>■ Growth 75%</li> <li>■ Real Assets 16%</li> <li>■ Trans-Tasman Shares 12%</li> <li>■ Global Shares 44%</li> <li>■ Alternative Assets 3%</li> </ul>
<p><b>41–45</b>      <b>High Growth</b></p> <p>Invests almost entirely in shares and real assets, with only a small amount invested in cash and fixed interest. May be suitable for investors seeking a well-diversified fund, who want higher long-term returns and are comfortable with more volatility in returns.</p>	 <ul style="list-style-type: none"> <li>■ Defensive 10%</li> <li>■ Cash 2%</li> <li>■ Fixed Interest 8%</li> <li>■ Growth 90%</li> <li>■ Real Assets 16%</li> <li>■ Trans-Tasman Shares 18%</li> <li>■ Global Shares 53%</li> <li>■ Alternative Assets 3%</li> </ul>
<p><b>46–50</b>      <b>Shares</b></p> <p>Invests almost entirely in the share market. May be suitable for investors seeking exposure mostly to shares and who are comfortable with a high level of volatility in returns.</p>	 <ul style="list-style-type: none"> <li>■ Growth 100%</li> <li>■ Trans-Tasman Shares 26%</li> <li>■ Global Shares 74%</li> </ul>

# WHERE DO INVESTMENT OPTIONS SIT ON THE RISK SCALE?

Now that you know your appetite for risk, what your options are and where each investment option sits on the risk/return scale, it's time to choose your option. Alternatively, check that you are still happy with the option you've already chosen.

We recommend that every year you review whether your current investment option is right for you. You don't have to change how you invest although it's worth checking in regularly to make sure you're on track to meet your goals.

If you need further help choosing an investment option, please call NZDF's appointed financial advisers, Milestone Direct Limited, on **0508 MILESTONE (0508 645 378)**, or email them at **info@milestonedirect.co.nz**.



# SECTION 3:

## MORE DEFENCE FORCE SUPERANNUATION SCHEME CHOICES

### CONTRIBUTIONS



Continue contributing to the Scheme. You can now also do so if you leave the New Zealand Defence Force.



Stop contributing to the Scheme and join the New Zealand Defence Force KiwiSaver Scheme or New Zealand Defence Force FlexiSaver Scheme, or both.



Continue contributing to the Scheme and also save with the New Zealand Defence Force KiwiSaver Scheme or New Zealand Defence Force FlexiSaver Scheme (or be a member of all three schemes).

It is important to remember that if you stop contributing to the Scheme to join the New Zealand Defence Force KiwiSaver Scheme your funds can't be withdrawn, but you can choose to transfer them to the New Zealand Defence Force KiwiSaver Scheme.

**IF YOU NEED HELP WITH THESE DECISIONS, PLEASE CONTACT  
0508 MILESTONE (0508 645 378).**

# FIRST HOME **HELP**

After you have been a member of the Scheme for three years\*, you may be able to withdraw your savings to put towards buying your first home. More information on buying your first home can be found on **[force4families.nzdf.mil.nz](http://force4families.nzdf.mil.nz)**.

## HOW DOES IT WORK?

**James is 30 years old and Sam is 25, they live in the Hutt Valley.**

Between them they earn \$100,000 a year (before tax). They are looking to buy their first home for \$350,000 in Upper Hutt and need a \$70,000 deposit.

After five years of membership in the Defence Force Superannuation Scheme they have saved \$40,000 and also saved \$22,000 in another savings scheme.

They may now be able to access \$70,000 which is enough for a deposit.

## MEET JAMES & SAM

\$38,000 of their Defence Force Superannuation Scheme savings

+

\$22,000 saved in the FlexiSaver Scheme

+

\$10,000 as a HomeStart grant\*\* from Housing New Zealand for a newly built home.

=

**\$70,000 Home Deposit**

## Participation rewards

You may be eligible to go in the draw for participation rewards. These are available if you provide your email address, make contributions and use tools available in the Scheme. Each month there will be 16 \$250 Prezzy cards (these may change from time to time) to reward members of the NZDF savings schemes. There will also be two larger participation rewards each year. Total value of the rewards is \$50,000 each year.

\*Eligibility criteria apply.

\*\*HomeStart grant is administered by Housing New Zealand. Rules apply and more information can be found on [hnzc.co.nz](http://hnzc.co.nz) website.



# SECTION 4:

## HELPING YOU WITH YOUR DECISIONS

NZDF's priority is the financial wellbeing of our members.

Mercer's Helpline team will answer any questions you may have about your membership from 9.00am to 7.00pm on all business days. You can also leave them a message and they will call back at a time convenient to you or can email you the information you need.

They can help you get started and understand how your account works, as well as answer general queries about your investment options, fees and confirm your account balance. They can also connect you with NZDF's appointed financial adviser network.

Milestone Direct Limited and the wider Milestone network has been appointed as the official financial advisers to members of the New Zealand Defence Force. They are able to provide you with financial advice on the Scheme plus all other financial products made available to you by NZDF. They must place your interests first and help you to determine what is the right choice for you.

Milestone Direct will provide general advice on all NZDF saving solutions at no cost to you. If you require more detailed advice on a wider range of financial solutions you can receive their assistance at a reduced fee.

For financial advice please contact Milestone Direct on **0508 MILESTONE (0508 645 378)** or email them at **info@milestonedirect.co.nz**.

You'll also find a suite of great financial solutions and tools at **force4families.nzdf.mil.nz**. Make the most of them!

# RETIREMENT INCOME SIMULATOR



You can calculate what you require to maintain a comfortable retirement and how much you require to achieve this.

Your personal retirement income simulator can help you understand what impacts how much you may have in retirement and how long it's likely to last.

You can explore the potential benefits of making voluntary contributions or changing your investment strategy. The simulator can also show you the effect on your retirement income of taking a career break or adjusting your retirement age.

You may also wish to include other factors like your partner's finances to estimate your combined retirement income, as well as income from other investments. You can see your New Zealand Superannuation entitlements and even run a "stress test" to see the possible impact of market volatility on your retirement savings.

Best of all, it's easy to use once you've signed in to your member account – your details will be pre-populated. Take a look at what may impact your retirement savings and income at [force4families.nzdf.mil.nz](http://force4families.nzdf.mil.nz).

## KNOWING HOW LONG YOU MIGHT LIVE, CAN HELP YOU **WORK OUT HOW MUCH YOU WILL NEED TO SAVE**



— If you are a healthy non-smoking male, aged 40 today you can expect to live to 93.



— If you are a healthy non-smoking female, aged 30 today you can expect to live to 103.

# IT'S TIME TO CHECK YOUR ACCOUNT

Your retirement savings may be one of the most valuable assets you'll ever have, so it is important to know and understand how you are tracking against your goals. Now is a great time to do this as you have access to advice, new planning tools and more investment choice.

Here's a simple checklist to help ensure your account is on track. The best way to check everything is by signing into your own account at [force4families.nzdf.mil.nz](http://force4families.nzdf.mil.nz).

## ✓ YOUR PERSONAL AND CONTACT DETAILS

Check and update your email, mobile number and address details, especially if you have moved or are about to. This will ensure we can keep you updated about your account in the Scheme.

## ✓ CHOOSE WHERE YOU INVEST

You have seven investment options to choose from and depending on your personal circumstances and risk appetite, the option or options you choose can have the biggest impact on your savings balance and lifestyle when you retire. We recommend that every year you remind yourself which investment option you've chosen. You don't have to change where you invest, although it's worth checking in regularly to make sure you're on track to meet your goals.

If you need further help choosing an investment option, please call NZDF's appointed financial advisers, Milestone Direct Limited on **0508 MILESTONE (0508 645 378)**, or email them at [info@milestonedirect.co.nz](mailto:info@milestonedirect.co.nz).

## ✓ TELL US YOUR PREFERENCES

You can choose how you receive information from us – whether it's by email or post.

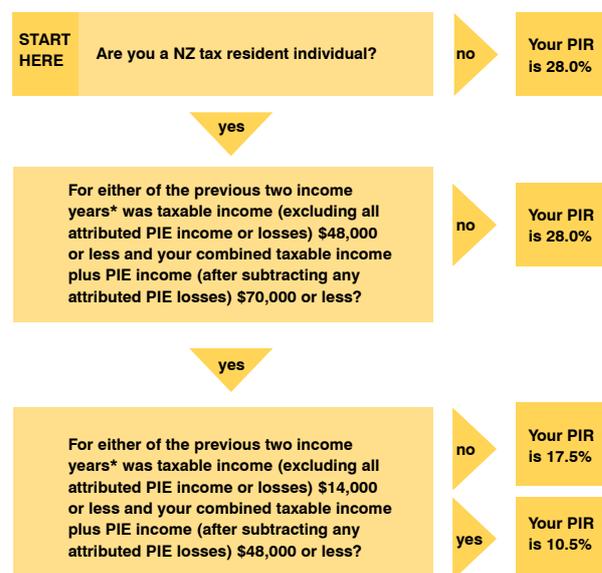
## ✓ CHECK YOUR PIR

The Scheme is a Portfolio Investment Entity or what's known as a PIE scheme. This means that your investment income is taxed using one of three Prescribed Investor Rates (PIRs). These PIRs are 28% (a default rate), 17.5% and 10.5%. You should check your PIR every year or if your circumstances have changed. Otherwise you may find you are paying too much or not enough tax.

Sign in to your online account from [force4families.nzdf.mil.nz](http://force4families.nzdf.mil.nz) to check or change your PIR.

## HOW TO CHOOSE YOUR PIR

To work out your PIR simply follow the chart below.



\* Previous two income years refers to the two years prior to the tax year that the PIR is being applied to. For example, use your income for the 2014 and 2015 tax years to work out your 2015/2016 PIR. An income year is generally the period from 1 April to 31 March of the following year. However, an income year can start and end on alternative dates if Inland Revenue consents. The tax year is always the period from 1 April to 31 March of the following year.

## CONNECT

In order to make sure you have all the facts you can also:

-  Call us on **0800 333 787**
-  Visit the website **[force4families.nzdf.mil.nz](http://force4families.nzdf.mil.nz)**
-  Read the **product disclosure statements** for the New Zealand Defence Force **KiwiSaver Scheme** and the New Zealand Defence Force **FlexiSaver Scheme** at the website **[force4families.nzdf.mil.nz](http://force4families.nzdf.mil.nz)**
-  Speak to **New Zealand Defence Force**
-  Speak to a financial adviser on **0508 MILESTONE (0508 645 378)**

*“The Defence Force Superannuation Scheme is designed for you.”*

– LTGEN Tim Keating, Chief of Defence Force, 2015



[force4families.nzdf.mil.nz](http://force4families.nzdf.mil.nz) | 0800 333 787