SAIPrivate

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30 September 2004

General Manager
Superannuation, Retirement and Savings Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Submission on Superannuation Industry (Supervision) Amendment Regulations 2004 (No.2) [Statutory Rules 2004 No. 84]

Attached is our Submission to the Treasury Review into the provision of defined benefit pensions by DIY superannuation funds.

Following the gazetting of the above Regulations we wrote to Senator Coonan and a copy of that correspondence is included as Appendix A to our Submission.

The co-author of our Submission has an Eligible Service Date of 1 September 1975. As matters stand, with a birth date of 21 July 1950 the co-author is now 21 days too young to be able to enact what he planned to do 21 years ago, which was to have his private superannuation fund pay him a pension.

This is a perfect example of the types of inequities that will arise because of the ill-considered introduction of these Regulations.

In our Submission we draw three conclusions:

1. That there was no need to introduce the amendments in the first place;

2. That the amendments have a retrospective impact that breaches Trust Law. An approach similar to the grandfathering and scheduling used for those that qualified for transitional reasonable benefit limits under the old Section 23F of the Income Tax Assessment Act 1936 is the only appropriate approach; and

3. That taxpayers who employ a complying pension will add more to the public purse than if they choose alternative fund applications.

Regardless of which political party holds power, the introduction of these amendments sets an undesirable and inappropriate precedent that will be challenged by the citizenry.

Yours faithfully

Simon Grant	**Peter F X Scully**
Managing Director	**Deputy Chairman**
SAIPrivate Pty Ltd ACN 105 363 344	

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Preamble

SAIPrivate has a core philosophy that ties its clients' cost of living to a tax liability that must be met and then treats any additional taxable income as taxable income that may be tax planned.

Given that the pre-tax equivalent investment return for the repayment of domestic debt is 1.94 times the nominal rate of interest for high income earners, the policy of our organisation is to advise that all income not needed for lifestyle costs should be directed into superannuation unless domestic debt can not be eliminated with residual resources within 8 years of the tax planning decision.

Further each client is advised that the quality of their personal financial decisions will be greatly increased if they maintain control, maintain flexibility, achieve a high safe net return and keep management within their ability and more importantly their inclination.

This has led to the organisation providing advice and administration services to a substantial number of Self Managed Superannuation Funds. The data we will use in this Submission comes from funds that we advise and administer in our Melbourne office.

One should note that it is the smaller organisations that can provide real and valuable data on the issues in question. However, they find the resourcing of quantifying issues very difficult. In that regard we would like to formally acknowledge the fine contribution of Mr de Lancey Worthington to the 26 July 2004 Senate Committee hearing on this matter.

Our data comes from 208 SMSFs with 419 members and assets of $271,852,706.45 as at 30 June 2004.

In a number of cases, these members have entitlements in other superannuation trusts, but we do not have the resources to be able to accurately aggregate these other member accounts with those that are administered by us.

Appendix B is attached to this Submission not just to detail what happens to medical specialists who are long term employees of a University and have private practice income, but to provide an example in support of the proposition that most taxpayers who find themselves with superannuation accounts in excess of the lump sum maximum have had no control over this outcome.

As foreshadowed in the covering letter we submit three contentions. In order to validate our contentions it is very important to deal with the history of superannuation over the last 30 years, from which it is clearly evident that taxpayers have not been deliberately mischievous in trying to take advantage of the system – rather, they are in practice victims of the system.

A Practitioner's View of the History of Superannuation

In 1975 SAIPrivate installed its first "do-it-yourself" superannuation fund. It is probably best to describe these funds as ones where the Trustee and the Member are in practice one and the same person. Given our core philosophy of having clients control their own superannuation funds, this was a fulfilment of our responsibilities.

At this time self-employed people were disadvantaged compared to those that were subject to an employer/employee relationship. Section 23F covered employer superannuation funds in the private sector, Section 23(ja) covered the self employed and Section 79 covered employee contributions schemes where there was no employer support.

In practice all Government employees had mandatory superannuation, as did the large Australian companies and the Australian subsidiaries of large multi-national companies. There was poor coverage in small corporations and the larger employers followed a similar model of 5% and 5% schemes, where there was a benefit promise of a multiple times final average salary and that multiple accumulated at between 10% and 15% of final average salary for every year of service, depending on the generosity of the employer.

There were very few investment houses that provided direct services to the public and so the major providers were life insurance companies with the banks a distant second. The contracts used by life insurance companies generally involved very large levels of expense, even though some were endowment based, but most of the direct sales to the public were actually 'Whole of Life' policies.

There were two prevalent abuses in the private sector. One was tontine funds, where private sector employers would design funds where the proprietors would be the last standing. It was this type of fund that led to the Swiss Chalet Case (*Case 43/95, 1995 ATC 374*).

The second area of abuse was the loan back method, where Government securities according to the 30/20 Rule were purchased but the 70% not needing to be invested according to the 30/20 Rule was lent to the contributor or a relative. The accounting practitioners and lawyers that promoted this were particularly naïve in failing to calculate the tax cost that compounded if the loan back was used for consumption. The margin rates of tax were 32%, 46% and 60% when this abuse was stopped on 12 March 1985.

From a consumer's point of view, in the decade 1975 to 1985 there was a considerable increase in value for money when life assurance companies moved from the traditional policies to accumulation policies that appeared to disclose how much of one's contribution was invested and then further to unit linked contracts that obviated the need of reserve averaging, which could overly benefit or overly punish a person depending on their timing of withdrawal.

The impact of the systemic property bust of 1990 on the number 2 statutory funds of life assurance companies is a perfect illustration of why so many taxpayers want the ability to choose institutional investments or direct investments.

On 1 July 1983 lump sum tax was introduced at two rates, 30% and 15% (concessional rate). It was at that time that it became clearly evident that one would be more sensible to take their benefit as a pension.

As a deliberate policy SAIPrivate has employed the word "pension" in fund names so that we could practically overcome the prejudice that existed in relation to pension funds and be consistent with the contractual promise of a pension.

This prejudice arose from the old industry pension funds that had no indexation for inflation and that led members into significant impoverishment in the 1970s and early 1980s. This added to the long held prejudice where single members of the Government superannuation funds were susceptible if the actuarial averages did not hold sway.

Contribution calculations were very complex after 1 July 1983 and, as indicated above, there was a sliding scale of benefit based on the size of final average salary. However, the income of the superannuation fund continued to be tax free. The Occupation Superannuation Standards Bill was introduced in 1985 but it took until 21 December 1987 for the enactment of OSSA.

However, just as occurred on 1 July 1983, where lump sums were taxed on the basis of 5% being included in the taxpayer's assessable income for their service prior to 1 July 1983, the changes for preservation applied for post 16 December 1986 increases in contracted contributions or fully for new funds.

In other words, as has been the case historically, there has not been retrospectivity in changes to superannuation.

On 1 July 1988 contributions tax and earnings tax were introduced and again with anti-detriment provisions to ensure that those who were claiming a death benefit did not lose the security of their position. One positive of the change was that instead of using a final average salary system a highest average salary system was introduced and the scaling down for high income earners was removed.

It should be noted that in the period from 1 July 1988 to 1 July 1992 employers were able to contribute to two superannuation funds and those superannuation funds were able to ignore the existence of each other. When this was coupled with the lineal relationship between benefit and salary tax, payers were able to catch up on benefits and it was this activity, during this period, that has caused a number of 45-55 year olds to have account balances that well exceed lump sum RBL limits.

The Superannuation Industry Supervision Act was introduced and applied from 1 July 1992.

From 1992 larger employers could use an averaging, which allowed certain taxpayers a non-offensive opportunity to bring forward and absolutely secure their tax concessions for their retirement planning. Those that behaved in this manner would have been well pleased given the introduction of surcharge on 20 August 1996.

It is necessary to understand the behaviours of taxpayers at these different stages before one can make an accurate conclusion as to their motives in their superannuation affairs.

It deeply concerns SAIPrivate how naïve the submission of Treasury was on 26 July 2004. In Point 2.30 on Page 9 of the Economics Legislative Committee Report, quotes of statements by Andrew Fairley and Gary Riorden are used to support the initiation of these amendments by Treasury. This office attended the conference where these statements were made and would have thought that Treasury would have been wise to the habit of conference presenters using the platform to promote their own professional alchemy so that attendees feel a compulsion to buy the presenter's time and services.

Rather than being concerned that a life expectancy pension can be made to be a moveable feast depending on the size of the pension, Treasury would have been well advised to ask the question "How much will it cost to attend the feast?"

Since 1994 this office has paid out complying pensions from self-managed superannuation funds clearly understanding that there are three potential outcomes. If the investment return on the capital is too modest the fund will be unable to maintain its promise. In an ideal world the final payment to the pensioner will pay for their funeral and the fund will be devoid of assets. Or, in the hopeful world from a member's perspective, the investment return will be better than the actuary anticipated and the fund will meet its promises in full and there will be some capital to supplement testamentary wishes.

Contention 1 – There was no need to introduce the amendments

Without looking at the impact of timing differences, an excessive benefit is a savage tax penalty. The best interpretation, given that contributions tax has applied since 1988, is that a taxpayer has 85c invested from his/her dollar of income in a superannuation trust, accumulates earnings at 15% and on withdrawal pays 48.5% tax or 56.225% (and from 1 July 2004 pays 39.5% tax or 48.6%) on the original dollar of income.

At worst, and prior to the recent reductions in surcharge, the tax take has been 63.95% (57.7% from 1 July 2004) of the original dollar of income.

Most people with RBL issues paid 15% surcharge. Under these circumstances it is no wonder that taxpayers would be excited to use conservative actuarial reserving to prevent paying a total rate of tax that is higher than the highest direct marginal rate of tax on income.

Not one of the funds we advise set out deliberately to create an excessive benefit. Rather it has happened as a function of history on one hand, but very importantly, because the trustees refused to pay the price of volatility being a risk or to be forced to accept institutional investment immobility. In other words, in the period of 2000 to 2003 when institutional investment returns created losses, all of the 208 funds we have analysed produced real returns above 5%.

In practice the reason the amendments are unnecessary is that time will resolve many of the issues. Firstly, if a taxpayer (taking a term allocated pension) ends up with a member account equal to the nominal Pension RBL capital the choice is to either use 50% of the capital to purchase an allocated pension with the other 50% being employed in a complying pension or to have 100% in a complying pension.

The range of complying pensions is a function of indexation/reversion and ranges from a flat pension ceasing on the death of the pensioner to an indexed pension with full reversion to a spouse. The minimum level of pension payments for the taxpayers facing excessive benefits without actuarial compression eliminates any prospect of qualifying for social security.

Not one of the members of the 208 funds expects any social security assistance.

With respect to Estate Planning, the capital vested to the Trustee for the provision of the promise is limited by the provisions of the Trust Deed, which governs what can occur with those monies. However, Appendix C (Client 2) illustrates the position when a pension fund is used for estate planning. Page 6 illustrates the significant tax liability that can arise if this strategy is chosen.

Finally, the issue comes to risk pooling and our experience shows without exception that the type of taxpayers that develop retirement assets equal to or in excess of the pension RBL choose to have guaranteed income payments that can be honoured and the only people they hurt is themselves if they do not maintain prudence.

Contention 2 – The amendments have a retrospective impact that breech Trust Law. Grandfathering should apply.

Many of the 208 funds we have analysed were started when Section 23F applied and the tax administration of superannuation trusts was the Tax Office's domain. For a fund to gain its tax concessions under this section of the Act there were 9 tests that had to be passed.

Whilst the Sole Purpose test is still quoted in reference to compliance, two of the tests that are relevant to the proposed amendments are firstly, a member's benefit must be secure and secondly, the fund must be continuing.

Appendix D provides the full list of tests.

Since 12 May 2004 there have been Government opinions expressed that having the right to buy a benefit promise from your own superannuation fund is insufficient to gain the same grandfathering treatment that has applied to all the other changes that have occurred in superannuation since 1 July 1983.

Large corporations and governments who were the initiators of benefit promise funds had the privilege of being able to detail the benefit decades in advance.This is patently impossible for someone who initiates their own fund, say in their mid 30's, and has no idea what the forthcoming decades may deliver. It should therefore be the case that any trust deed that empowers the Trustee to pay a complying pension should be at the very worst "grandfathered" up to 30 June 2005.

So using the co-author's position, on the basis that in 2015 (aged 65) the taxpayer wishes to take a benefit, three quarters of the benefit relating to the 30 years of service prior to the drop dead date should be treated under the existing system and one quarter relating to the prospective service should be treated under the new regime.

The Government is trying to hold workers in the work force and accordingly as a bare minimum there should be a schedule such as the one used for those that qualified for Transitional Reasonable Benefit levels.

In other words, those that are 55 and over are totally "grandfathered" and those 45-55 lose some total "grandfathering". Those under 45 are "grandfathered" on a pro-rata service basis.

It is our contention that any other approach would see the government breaching Trust Law. The financial loss to those forced to use institutions when they are permanently conflicted would justify taxpayers seeking legal redress.

Contention 3 - Taxpayers who employ a complying pension will add more to the public purse than if they choose alternative fund applications.

In studying the Economic Legislative Committee Report of August 2004 it was very disappointing to see that no tax analysis was proffered by Treasury to support its claims.

Appendix E is an actual example of a 51 year old medical specialist (with no pre 83 service) who has remained a practicing obstetrician. Treasury may be unaware but obstetrician's earn taxable income when they would prefer to be relaxing with their families or even asleep. In this particular case the taxpayer, if he maintains an aged based contribution and despite surcharge, will face an increasing excessive death benefit tax if he was to die prior to any actuarial compression at the time he initiated a pension benefit.

Experience shows us that such a practitioner rarely stops practising short of 65 and so based on conservative assumptions in Appendix E there is a potential of a 24.6% tax take from the gross benefit to the Estate.

Therefore, prior to receiving a benefit, taxpayers are exposed to a substantial tax bill if they were to try and engineer to have member accounts well in excess of the nominal pension RBL limit. Please note, that not one of the 208 funds we examined uses reserves other than when the fund promises a benefit.

Once the benefit has commenced the tax position will vary on how much unused pension RBL exists in the fund. On page 6 of Annexure E we see that the tax paid varies between 39.3% to 38.7% over a 30 year benefit period. A more handsome earning rate would substantially increase this.

The conclusion that should be reached is that there will not be a loss to the public purse - only a deferral and our experience shows us that when we detail the tax cost of the so called "feast" it is recognised for the penalty it really is and that taxpayers will pay an exorbitant price for the peace of mind of having their own capacity to self provide.

Summary

We intend to speak not only to the Trustees of the 208 Funds we researched but also to all the Trustees that we are currently responsible to. We will seek permission for them to declare their individual details for analysis so that the exercise of introducing these Regulations can be seen in its true perspective.

Whilst Treasury should be complimented for their initiative, their over zealousness is evidenced by what was said on page 11 in para 2.39 of the Economic Legislative Committee Report. *"It has long been Government practice that you do not consult on integrity matters. There is a perceived integrity concern in relation to these arrangements so that you address the law clearly and decisively."*

This is a most insulting assertion and leads to zealousness in a vacuum. It also causes unnecessary expense for those in the private sector who respect the law and act with integrity.

Currently, we have spoken to about 15% of the 208 funds and they have all committed to be part of a challenge to these Regulations.

Consultation would be cheaper and better and it disappoints us that our offer of 31 May 2004 was totally ignored.

Appendix A – Letter to Senator Coonan

SAIPrivate

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31 May 2004

Private & Confidential

Senator Helen Coonan
Minister for Revenue & Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Email: senator.coonan@aph.gov.au

Dear Senator Coonan,

UNINTENDED CONSEQUENCES

Pensions - Superannuation Industry (Supervision) Amendment Regulations 2004 (No.2) - Statutory Rules 2004 No.84

We refer to the above Regulations that were gazetted on 12 May 2004.

If they become law, the amendments will have profound unintended negative consequences on a significant number of influential Australians who have structured their affairs lawfully, efficiently and in a responsible way.

The Explanatory Statement accompanying the Regulations states a number of reasons for introducing the amendments.

SAIPrivate has been a specialist administration/advisory firm for member controlled superannuation trusts since 1974.

1. SAIPrivate clients do not use forfeiture arrangements in their accumulation funds.

2. Our client contributions are not deferred or allocated to reserve accounts to avoid the superannuation surcharge.

3. Appropriately qualified actuaries sign-off on reserving.

4. Funds have been externally audited since audit was mandated.

5. Since 1994 SAIPrivate has administered self-managed super funds that pay complying pensions.

6. No SAIPrivate advice clients receiving benefit promise pensions are in receipt of social security benefits.

7. No fund deliberately aims to develop actuarial surplus for future generations.

8. SAIPrivate has always advised its clientele that they will receive their retirement benefits in the form of a pension.

9. SAIPrivate has always recognised the conflict of interest that exists when clients sell their actuarial risk. Institutions are forcing individuals to accept volatility as a risk.

We listen to the ATO present their case annually at the Law Council conference on superannuation. The tax concessions they believe they give belies reality. In practice our clients seek to earn extra to be self-reliant and it is not a case of giving tax up but one of gaining additional tax albeit at 15%.

In a country with no probate duty and a potential dependency ratio problem, road blocking self provision for all because of the errant behaviour of so few makes no sense. The introduction of 15% tax on any actuarial reserve above "reasonable" ensures the protection of the public purse.

The effect of these amendments will be to force hard-working, tax-paying Australians to give up control of their retirement savings. This is contrary to the National interest and undermines the patient investment capital that Australia has.

Please withdraw the Regulations, at least until the unintended consequences have been canvassed. We will gladly provide proof of our assertions and would appreciate any opportunity to participate in consultations.

Yours sincerely

Simon Grant
Managing Director
SAIPrivate Pty Limited **ACN 105 363 344**

Appendix B – Benefit Statement for Medical Specialist who is a long-term employee of a University (Client 1)

Benefit Statement

A Statement of your benefit entitlements at 31 December 2003

UniSuper

[redacted]

Personal details

Member name	[redacted]
Member number	[redacted]
Date joined Award Plus Plan	[redacted]
Date joined Defined Benefit Plan	[redacted]
Date of birth	[redacted]5 Aug 1947
Eligible service date	04 Jan 1977
Tax file number	Supplied
Beneficiaries	[redacted]

Benefit summary at 31 December 2003

	Award Plus Plan	Defined Benefit Plan*	Total Benefits
Preserved benefit	$71,766.53	$214,718.53	$286,485.06
Restricted non-preserved benefit	$0.00	$560,683.49	$560,683.49
Unrestricted non-preserved benefit	$0.00	$0.00	$0.00
Account balance	**$71,766.53**	**$775,402.02**	**$847,168.55**
Insurance benefit	**$11,800.00**	**$92,006.32**	**$103,806.32**
Death benefit	$83,566.53	$867,408.34	$950,974.87

You have 2 insurance units with your Award Plus Plan account. The insured lump sum benefit is payable on death or total and permanent disablement. For APP insurance purposes your classification is Class 1. Please see our *Super Informed* newsletter for information on the classifications.

Your investment strategy history from 01/07/2003 - 31/12/2003

Investment Period	Award Plus Plan
01 Jul 03 to 31 Dec 03	Balanced

* All *Defined Benefit Plan* values are estimates.

The disability benefit is paid as a monthly pension. The annual disability benefit pension is equal to 60% of your *Benefit Salary* x *Average Service Fraction*. Your *Estimated Benefit Salary* is $121,887.00 and *Average Service Fraction* is 100.00%.

Need more information?

Before calling, please read the **Guide to your UniSuper Statement** which explains the benefits and terminolog used in your statement.

Employer Contact

Pauline Shi

03 8344 7549

Or contact UniSuper

Call the Toll Free Helpl
1800 331 685

Email us at
enquiry@unisuper.com.a

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Appendix C – Example (Client 2)

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Projection for: Client 2

Interest Rate: 7.00% AWOTE: 3.0% AO: 1,549,000 UC: 122,650

Dependant on Death (yes = 1, no = b): 1 Max MR: 38.0% ML: 1.5%

R: 0.962617 Reb Rate: 15% Pension Factor (1 = 100% rev, 8% index; b = 0% rev, 0% index): 1

F: 0.85 Surcharge (1=yes, b=no) Pension Phase Fund Earnings Tax Rate 5.0%

Year 1 Contribution: 38,702
Year 4 Contribution: 78,110

Assumption: On death payable to a non-dependant, up to the PRBL is taxed as 100% post-June '83 @ 16.5%.
This assumes that the client has no pre-July '83 service.

Year Ending 30-Jun	Age	N	Account Balance	Pension RBL	Excessive Death Benefit	Gross Death Benefit to Estate	Estate tax on Death Benefit	Net Pay't From Estate on Death	Estate Tax as % of the Gross Death Benefit	Net Pay't From Estate to Depend't	Net Pay't From Estate to Non-Dep't
2004	45	0	1,549,000								
2005	46	1	1,691,459	1,238,440	330,369	1,691,459	130,496	1,560,963	7.7%	1,560,963	1,356,620
2006	47	2	1,844,910	1,275,593	446,667	1,844,910	176,433	1,668,477	9.6%	1,668,477	1,458,004
2007	48	3	2,010,155	1,313,861	573,644	2,010,155	226,589	1,783,566	11.3%	1,783,566	1,566,778
2008	49	4	2,188,050	1,353,277	712,123	2,188,050	281,289	1,906,761	12.9%	1,906,761	1,683,470
2009	50	5	2,418,511	1,393,875	901,986	2,418,511	356,284	2,062,226	14.7%	2,062,226	1,832,237
2010	51	6	2,667,423	1,435,691	1,109,082	2,667,423	438,087	2,229,336	16.4%	2,229,336	1,992,447
2011	52	7	2,936,148	1,478,762	1,334,736	2,936,148	527,221	2,408,927	18.0%	2,408,927	2,164,931
2012	53	8	3,226,143	1,523,125	1,580,368	3,226,143	624,246	2,601,898	19.3%	2,601,898	2,350,582
2013	54	9	3,538,973	1,568,819	1,847,504	3,538,973	729,764	2,809,209	20.6%	2,809,209	2,550,354
2014	55	10	3,876,310	1,615,883	2,137,777	3,876,310	844,422	3,031,888	21.8%	3,031,888	2,765,267
2015	56	11	4,239,949	1,664,360	2,452,939	4,239,949	968,911	3,271,038	22.9%	3,271,038	2,996,419
2016	57	12	4,631,812	1,714,291	2,794,871	4,631,812	1,103,974	3,527,838	23.8%	3,527,838	3,244,980
2017	58	13	5,053,957	1,765,719	3,165,588	5,053,957	1,250,407	3,803,550	24.7%	3,803,550	3,512,206
2018	59	14	5,508,590	1,818,691	3,567,249	5,508,590	1,409,063	4,099,527	25.6%	4,099,527	3,799,443
2019	60	15	5,998,073	1,873,252	4,002,171	5,998,073	1,580,858	4,417,215	26.4%	4,417,215	4,108,129
2020	61	16	6,524,936	1,929,449	4,472,837	6,524,936	1,766,771	4,758,165	27.1%	4,758,165	4,439,806
2021	62	17	7,091,890	1,987,333	4,981,907	7,091,890	1,967,853	5,124,036	27.7%	5,124,036	4,796,126
2022	63	18	7,701,836	2,046,953	5,532,233	7,701,836	2,185,232	5,516,604	28.4%	5,516,604	5,178,857
2023	64	19	8,357,884	2,108,361	6,126,873	8,357,884	2,420,115	5,937,769	29.0%	5,937,769	5,589,890
2024	65	20	9,063,363	2,171,612	6,769,101	9,063,363	2,673,795	6,389,568	29.5%	6,389,568	6,031,252

	Act. Val. Factor	SIS Factor	Excessive Amount	Non-Reb Prop	UPRL
100% rev, 8% index :	62.3	14	-257,551	0.0%	257,551
0% rev, 0% index :	13.2	7	-1,275,907	0.0%	1,275,907

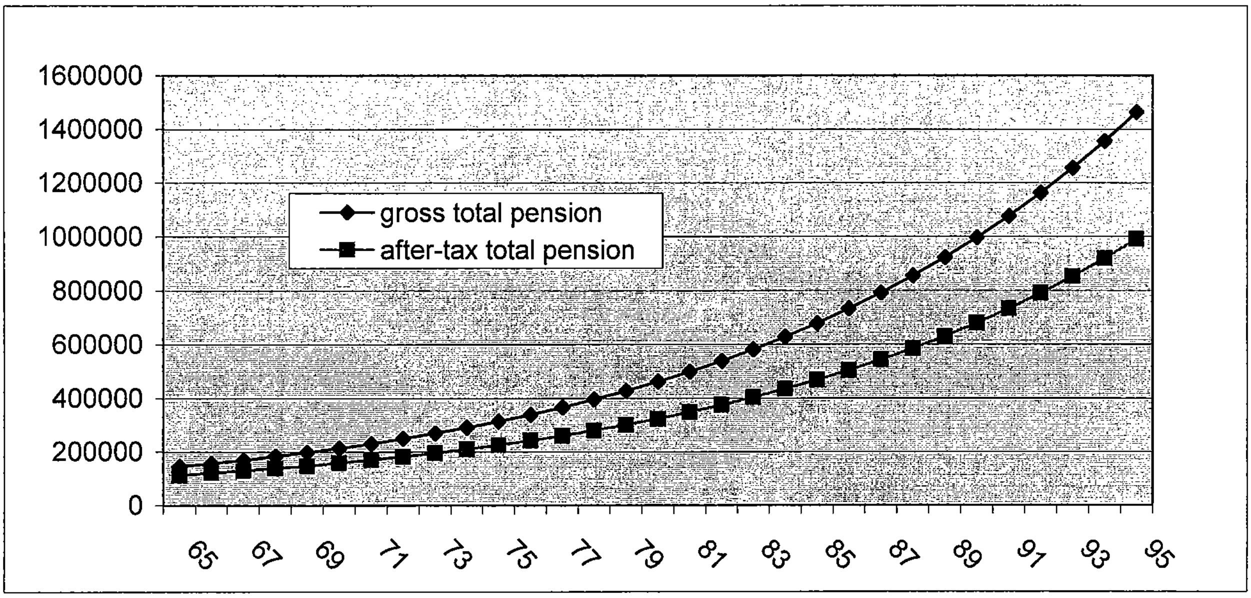
Projection for: Client 2 Earning Rate: 7.00%

Allocated Pension:	Maximum,	100.00%	rebatable			
Lifetime Pension:	8%	indexed,	100%	reversion,	100.00%	rebatable

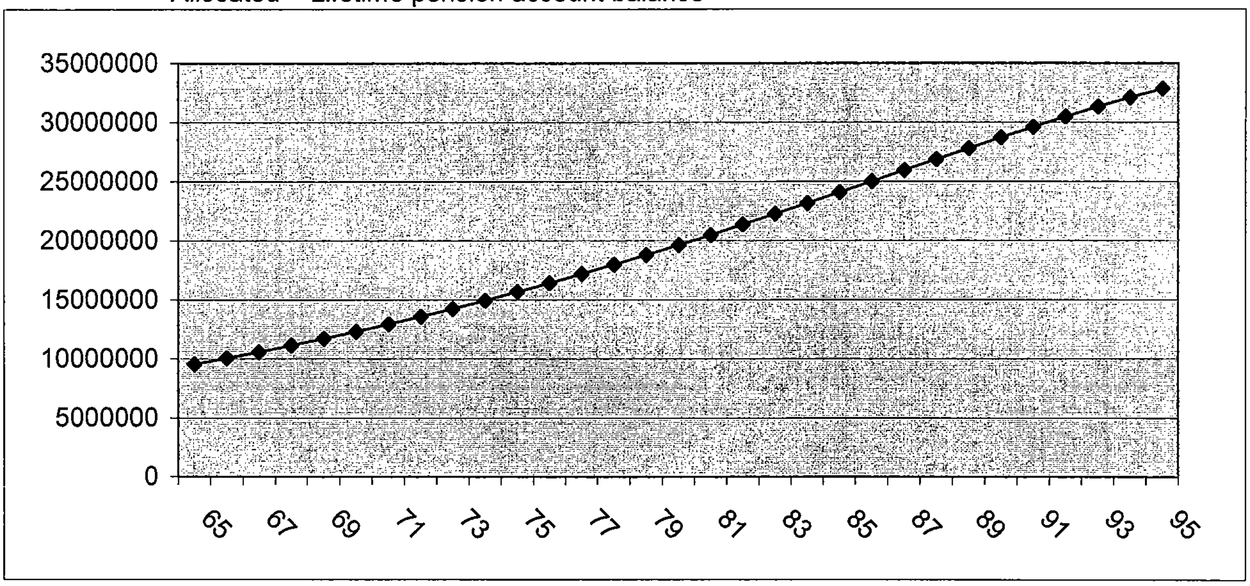
$0	allocated pen. assets, including	$0	undeducteds
$9,063,363	lifetime pen. assets, including	$122,650	undeducteds

Notes:

Gross and After-tax (allocated + lifetime) Pension



Allocated + Lifetime pension account balance



Projection For: Client 2 Earning Rate: 7.00%

Allocated Pension:	Maximum,	100.00%	rebatable,	$0	deductible	
Lifetime Pension:	8%	indexed,	100%	reversion,	100.00%	rebatable,
					$7,566	deductible

$0 allocated pen. assets, including $0 undeducteds
$9,063,363 lifetime pen. assets, including $122,650 undeducteds

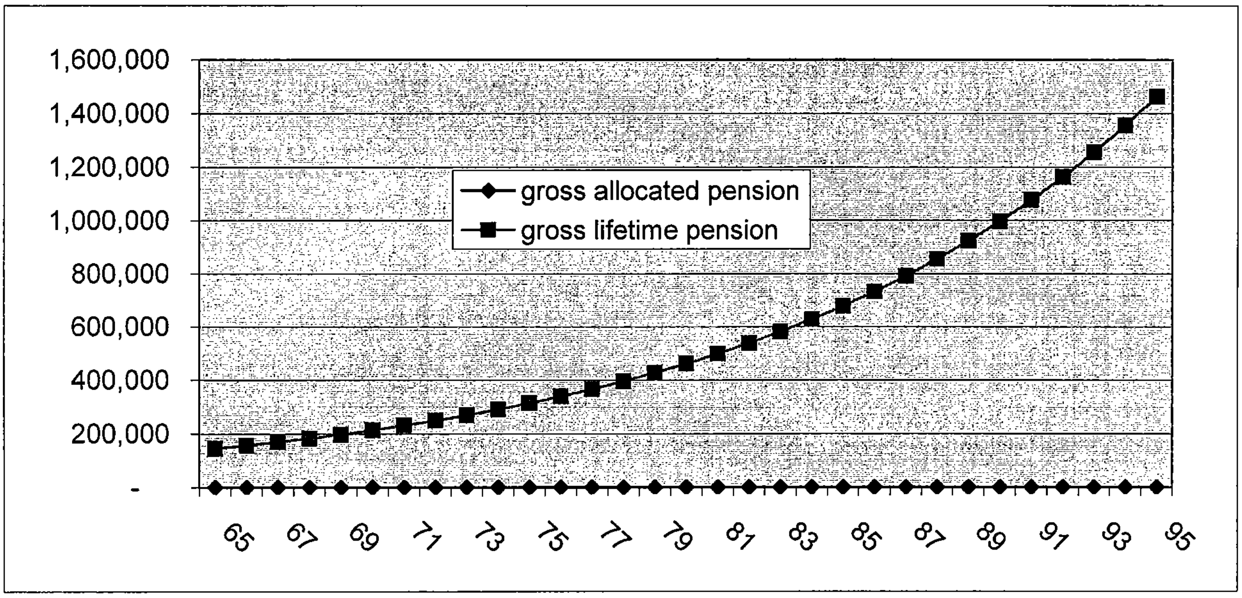
Year Ending		Allocated plus Lifetime Pension						Pension	Fund	Fund + Pension
								Tax as a % of	Tax as a % of	Tax as a % of
30-Jun	Age	Gross	Tax	Net	Earnings	Balance	Earn'sTax	Gross Pension	Earnings	Fund Assets
						9,063,363				
2,025	65	145,479	31,913	113,566	629,344	9,547,228	31,467	21.9%	5.0%	0.7%
2,026	66	157,118	35,812	121,306	662,807	10,052,917	33,140	22.8%	5.0%	0.7%
2,027	67	169,687	40,022	129,665	697,765	10,580,995	34,888	23.6%	5.0%	0.7%
2,028	68	183,262	44,570	138,692	734,255	11,131,988	36,713	24.3%	5.0%	0.7%
2,029	69	197,923	49,482	148,442	772,312	11,706,377	38,616	25.0%	5.0%	0.8%
2,030	70	213,757	54,786	158,971	811,965	12,304,585	40,598	25.6%	5.0%	0.8%
2,031	71	230,857	60,515	170,343	853,241	12,926,969	42,662	26.2%	5.0%	0.8%
2,032	72	249,326	66,702	182,625	896,161	13,573,804	44,808	26.8%	5.0%	0.8%
2,033	73	269,272	73,383	195,889	940,742	14,245,274	47,037	27.3%	5.0%	0.8%
2,034	74	290,814	80,600	210,214	986,991	14,941,450	49,350	27.7%	5.0%	0.9%
2,035	75	314,079	88,394	225,685	1,034,909	15,662,280	51,745	28.1%	5.0%	0.9%
2,036	76	339,205	96,811	242,394	1,084,487	16,407,562	54,224	28.5%	5.0%	0.9%
2,037	77	366,342	105,902	260,440	1,135,707	17,176,928	56,785	28.9%	5.0%	0.9%
2,038	78	395,649	115,720	279,929	1,188,537	17,969,816	59,427	29.2%	5.0%	1.0%
2,039	79	427,301	126,323	300,978	1,242,932	18,785,446	62,147	29.6%	5.0%	1.0%
2,040	80	461,485	137,775	323,710	1,298,829	19,622,791	64,941	29.9%	5.0%	1.0%
2,041	81	498,404	150,143	348,261	1,356,151	20,480,538	67,808	30.1%	5.0%	1.1%
2,042	82	538,276	163,500	374,776	1,414,798	21,357,060	70,740	30.4%	5.0%	1.1%
2,043	83	581,338	177,926	403,413	1,474,647	22,250,369	73,732	30.6%	5.0%	1.1%
2,044	84	627,845	193,505	434,340	1,535,551	23,158,075	76,778	30.8%	5.0%	1.2%
2,045	85	678,073	210,332	467,741	1,597,333	24,077,334	79,867	31.0%	5.0%	1.2%
2,046	86	732,319	228,504	503,815	1,659,782	25,004,798	82,989	31.2%	5.0%	1.2%
2,047	87	790,904	248,130	542,774	1,722,654	25,936,548	86,133	31.4%	5.0%	1.3%
2,048	88	854,177	269,326	584,850	1,785,662	26,868,033	89,283	31.5%	5.0%	1.3%
2,049	89	922,511	292,218	630,292	1,848,474	27,793,997	92,424	31.7%	5.0%	1.4%
2,050	90	996,312	316,942	679,370	1,910,709	28,708,394	95,535	31.8%	5.0%	1.4%
2,051	91	1,076,017	343,643	732,374	1,971,927	29,604,304	98,596	31.9%	5.0%	1.5%
2,052	92	1,162,098	372,480	789,618	2,031,628	30,473,834	101,581	32.1%	5.0%	1.6%
2,053	93	1,255,066	403,624	851,441	2,089,241	31,308,009	104,462	32.2%	5.0%	1.6%
2,054	94	1,355,471	437,260	918,211	2,144,119	32,096,657	107,206	32.3%	5.0%	1.7%
2,055	95	1,463,909	473,587	990,322	2,195,529	32,828,278	109,776	32.4%	5.0%	1.8%
		17,944,276	5,489,828	12,454,448	41,709,191		2,085,460			

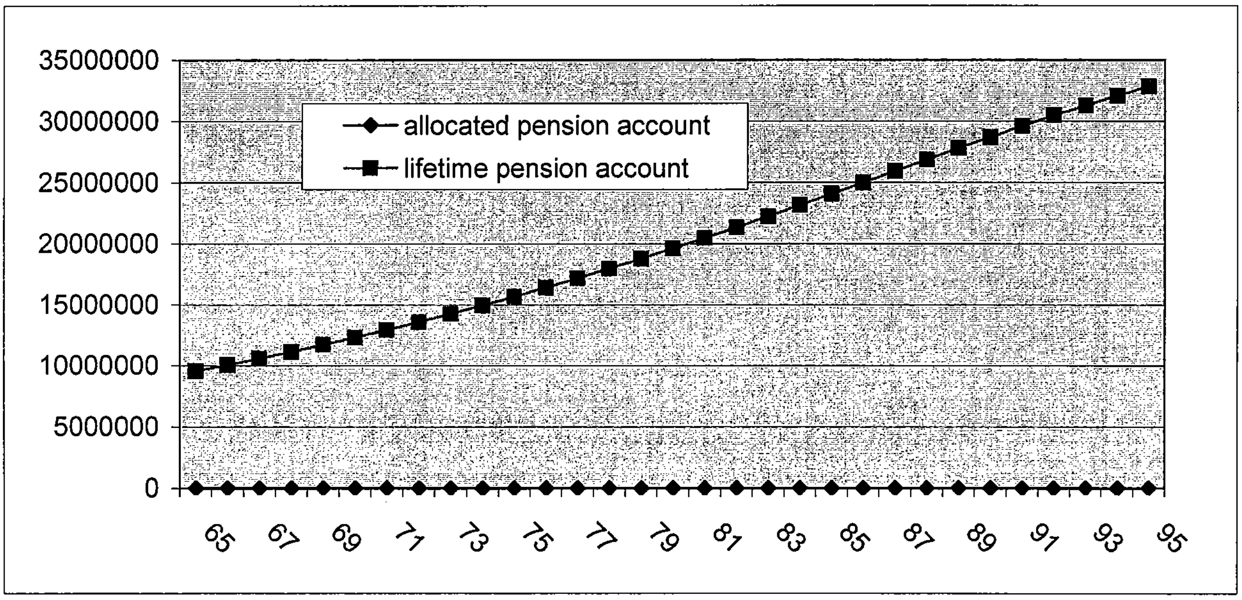
Projection for: Client 2 Earning Rate: 7.00%

Allocated Pension:	Maximum,	100.00%	rebatable			
Lifetime Pension:	8%	indexed,	100%	reversion,	100.00%	rebatable

$0	allocated pen. assets, including	$0	undeducteds
$9,063,363	lifetime pen. assets, including	$122,650	undeducteds

Notes:





Projection For: Client 2 Earning Rate: 7.00%

Allocated Pension:	Maximum,	100.00%	rebatable			
Lifetime Pension:	8%	indexed,	100%	reversion,	100.00%	rebatable

Allocated Pens. assets include	$0	undeducteds, which includes	$0	Low -Tax Pays
Lifetime Pens. assets include	$122,650	undeducteds, which includes	$0	Low -Tax Pays

Notes:

Year Ending			Allocated Pension			Lifetime Pension	
30-Jun	Age	Gross	Earnings	Balance	Gross	Earnings	Balance
				0			9,063,363
2,025	65	0	0	0	145,479	629,344	9,547,228
2,026	66	0	0	0	157,118	662,807	10,052,917
2,027	67	0	0	0	169,687	697,765	10,580,995
2,028	68	0	0	0	183,262	734,255	11,131,988
2,029	69	0	0	0	197,923	772,312	11,706,377
2,030	70	0	0	0	213,757	811,965	12,304,585
2,031	71	0	0	0	230,857	853,241	12,926,969
2,032	72	0	0	0	249,326	896,161	13,573,804
2,033	73	0	0	0	269,272	940,742	14,245,274
2,034	74	0	0	0	290,814	986,991	14,941,450
2,035	75	0	0	0	314,079	1,034,909	15,662,280
2,036	76	0	0	0	339,205	1,084,487	16,407,562
2,037	77	0	0	0	366,342	1,135,707	17,176,928
2,038	78	0	0	0	395,649	1,188,537	17,969,816
2,039	79	0	0	0	427,301	1,242,932	18,785,446
2,040	80	0	0	0	461,485	1,298,829	19,622,791
2,041	81	0	0	0	498,404	1,356,151	20,480,538
2,042	82	0	0	0	538,276	1,414,798	21,357,060
2,043	83	0	0	0	581,338	1,474,647	22,250,369
2,044	84	0	0	0	627,845	1,535,551	23,158,075
2,045	85	0	0	0	678,073	1,597,333	24,077,334
2,046	86	0	0	0	732,319	1,659,782	25,004,798
2,047	87	0	0	0	790,904	1,722,654	25,936,548
2,048	88	0	0	0	854,177	1,785,662	26,868,033
2,049	89	0	0	0	922,511	1,848,474	27,793,997
2,050	90	0	0	0	996,312	1,910,709	28,708,394
2,051	91	0	0	0	1,076,017	1,971,927	29,604,304
2,052	92	0	0	0	1,162,098	2,031,628	30,473,834
2,053	93	0	0	0	1,255,066	2,089,241	31,308,009
2,054	94	0	0	0	1,355,471	2,144,119	32,096,657
2,055	95	0	0	0	1,463,909	2,195,529	32,828,278
		0	0		17,944,276	41,709,191	

Projection For: Client 2

Allocated Pension:	Maximum,	100.00%	rebatable				
Lifetime Pension:	8%	indexed,	100%	reversion,	100.00%	rebatable	

$0 allocated pen. assets, including $0 undeducteds
$9,063,363 lifetime pen. assets, including $122,650 undeducteds

Net Fund Earning Rate: 7.00%
Gross (Fund and Outside) Earning Rate: 7.00%
Outside Fund Marginal Tax Rate: 48.50%
Net Outside Earn. Rate: 3.61%
AWOTE: 3.00%
COL: 2.00%

Notes:

Dependant on death(1)/No dependant(0) 1

Ending

30-Jun	Age	Allocated Pension Balance at *end* of year	Allocated Pension UPP at *end* of year	Lifetime Pension Balance at *end* of year	Unused *Pension* RBL	*Net* Payment from Fund assuming paid to a dependant	*Gross* Payment from Fund on death [at *end* of year]	Tax on death benefit paid from Fund	*Net* Payment from Fund on death (at *end* of year)	Tax Paid on Death Benefit as a % of the Gross Death Benefit	(Maximum) Surcharge Payable if chose to distribute death benefit to remaining fund members
2,025	65	0	0	9,547,228	$\boxed{257,551}$	5,877,805	9,547,228	3,669,422	5,877,805	38.4%	954,723
2,026	66	0	0	10,052,917	265,278	6,186,799	10,052,917	3,866,117	6,186,799	38.5%	1,005,292
2,027	67	0	0	10,580,995	273,236	6,509,430	10,580,995	4,071,565	6,509,430	38.5%	1,058,099
2,028	68	0	0	11,131,988	281,433	6,846,019	11,131,988	4,285,969	6,846,019	38.5%	1,113,199
2,029	69	0	0	11,706,377	289,876	7,196,859	11,706,377	4,509,518	7,196,859	38.5%	1,170,638
2,030	70	0	0	12,304,585	298,572	7,562,210	12,304,585	4,742,375	7,562,210	38.5%	1,230,459
2,031	71	0	0	12,926,969	307,530	7,942,290	12,926,969	4,984,678	7,942,290	38.6%	1,292,697
2,032	72	0	0	13,573,804	316,755	8,337,270	13,573,804	5,236,534	8,337,270	38.6%	1,357,380
2,033	73	0	0	14,245,274	326,258	8,747,262	14,245,274	5,498,011	8,747,262	38.6%	1,424,527
2,034	74	0	0	14,941,450	336,046	9,172,316	14,941,450	5,769,135	9,172,316	38.6%	1,494,145
2,035	75	0	0	15,662,280	346,127	9,612,400	15,662,280	6,049,880	9,612,400	38.6%	1,566,228
2,036	76	0	0	16,407,562	356,511	10,067,397	16,407,562	6,340,165	10,067,397	38.6%	1,640,756
2,037	77	0	0	17,176,928	367,206	10,537,088	17,176,928	6,639,840	10,537,088	38.7%	1,717,693
2,038	78	0	0	17,969,816	378,223	11,021,137	17,969,816	6,948,679	11,021,137	38.7%	1,796,982
2,039	79	0	0	18,785,446	389,569	11,519,075	18,785,446	7,266,372	11,519,075	38.7%	1,878,545
2,040	80	0	0	19,622,791	401,256	12,030,285	19,622,791	7,592,506	12,030,285	38.7%	1,962,279
2,041	81	0	0	20,480,538	413,294	12,553,977	20,480,538	7,926,561	12,553,977	38.7%	2,048,054
2,042	82	0	0	21,357,060	425,693	13,089,170	21,357,060	8,267,890	13,089,170	38.7%	2,135,706
2,043	83	0	0	22,250,369	438,464	13,634,666	22,250,369	8,615,703	13,634,666	38.7%	2,225,037
2,044	84	0	0	23,158,075	451,618	14,189,024	23,158,075	8,969,051	14,189,024	38.7%	2,315,807
2,045	85	0	0	24,077,334	465,166	14,750,528	24,077,334	9,326,806	14,750,528	38.7%	2,407,733
2,046	86	0	0	25,004,798	479,121	15,317,155	25,004,798	9,687,642	15,317,155	38.7%	2,500,480
2,047	87	0	0	25,936,548	493,495	15,886,542	25,936,548	10,050,006	15,886,542	38.7%	2,593,655
2,048	88	0	0	26,868,033	508,300	16,455,938	26,868,033	10,412,095	16,455,938	38.8%	2,686,803
2,049	89	0	0	27,793,997	523,548	17,022,170	27,793,997	10,771,827	17,022,170	38.8%	2,779,400
2,050	90	0	0	28,708,394	539,255	17,581,584	28,708,394	11,126,810	17,581,584	38.8%	2,870,839
2,051	91	0	0	29,604,304	555,433	18,130,000	29,604,304	11,474,304	18,130,000	38.8%	2,960,430
2,052	92	0	0	30,473,834	572,096	18,662,647	30,473,834	11,811,187	18,662,647	38.8%	3,047,383
2,053	93	0	0	31,308,009	589,258	19,174,103	31,308,009	12,133,907	19,174,103	38.8%	3,130,801
2,054	94	0	0	32,096,657	606,936	19,658,217	32,096,657	12,438,440	19,658,217	38.8%	3,209,666
2,055	95	0	0	32,828,278	625,144	20,108,040	32,828,278	12,720,238	20,108,040	38.7%	3,282,828

Appendix D – Section 23F – 9 Tests

APPENDIX D

INCOME TAX ASSESSMENT ACT 1936 - SECTION 23F.
Exemption of income of certain superannuation funds established for benefit of employees.

SECTION 23F

Substituted by No. 103, 1965, s. 9.
23F. (1) In this section-

"dependant", in relation to an employee, includes the spouse and any child of the employee;

"employee", in relation to a company, includes a director of the company;

"person" includes a partnership;

"superannuation fund" means a provident, benefit, superannuation or retirement fund;

"transaction" includes a series of transactions.
Amended by No. 51, 1973, s. 22.

(2) Subject to the succeeding provisions of this section, this section applies, in relation to a year of income, to a superannuation fund, not being a fund of a kind referred to in paragraph (jaa) of section 23, if-

(a) the fund is an indefinitely continuing fund established and maintained solely for either or both of the following purposes:-

(i) the provision of superannuation benefits for employees in the event of their retirement or in other circumstances of a kind approved by the Commissioner; and

(ii) the provision of superannuation benefits for dependants of employees in the event of the death of the employees;

(b) an employer of each employee who has, or whose dependants have, a right to receive benefits from the fund contributed to the fund during the year of income;

(c) the fund was not authorized by the terms and conditions applicable to the fund at any time during the year of income to accept contributions, and did not at any time during the year of income accept contributions, other than contributions in respect of an employee who has, or whose dependants have, a right to receive benefits from the fund, being contributions made by-

(i) the employee;

(ii) an employer of the employee;

(iii) a company in which an employer of the employee has a controlling interest; or

(iv) if an employer of the employee is a company-a person who is associated with that company;

(d) the rights of employees and dependants of employees to receive benefits from the fund are fully secured;

(e) the right of each employee and his dependants to receive benefits from the fund is defined by the terms and conditions applicable to the fund and notice in writing of the existence of that right was given to the employee not later than the time when contributions were first paid to the fund in respect of the employee or of his dependants or 31st March, 1966, whichever is the later, or before such later date as the Commissioner approves in relation to the employee;

(f) where a right of an employee or of the dependants of an employee to receive benefits from the fund has ceased during the year of income and, at the time of the cessation of the right, a specific part of the amount of the fund was appropriated for the provision of benefits for the employee or his dependants-the amount of the benefits the right to receive which has so ceased is applied in the year of income or in the period of two months after the year of income, or is to be applied after the year of income in accordance with an undertaking by the trustee of the fund given to, and approved by, the Commissioner, being an undertaking that has effect in relation to the year of income, for all or any of the following purposes:-

(i) the provision of the benefits that other employees or their dependants have rights to receive from the fund;

(ii) the provision for other employees or their dependants who have rights to receive benefits from the fund of additional benefits on a basis that is reasonable, having regard to all the circumstances; and

(iii) any other purposes approved by the Commissioner;

(g) where a right of an employee or of the dependants of an employee to receive benefits from the fund has ceased during the year of income and, at the time of the cessation of the right, a specific part of the amount of the fund was not appropriated for the provision of benefits for the employee or his dependants-any additional benefits that have been, or are to be, provided from the fund for other employees or their dependants by reason of the cessation of the right have been, or are to be, provided on a basis that is reasonable, having regard to all the circumstances;

(h) the benefits that any employee has, or the dependants of any employee have, the right to receive from the fund are not excessive in amount having regard to-

(i) the remuneration paid to the employee for services rendered by him to his employer;

(ii) the period of the service rendered by the employee to his employer;

(iii) the benefits, pensions and allowances that have been, are being or may be provided for the employee or his dependants from any other fund to which this section applies in relation to the year of income or has applied in relation to a previous year of income; and

(iv) any other matters that the Commissioner considers relevant; and

(i) the amount of the fund is not substantially in excess of the amount that is necessary for the purpose of providing benefits that employees and their dependants have rights to receive from the fund having regard to the contributions that are expected to be made to the fund in succeeding years of income in relation to those employees and their dependants and to the income that is expected to be derived by the fund in succeeding years of income.

(3) Where a deed or instrument relating to a superannuation fund contains a provision the purpose of which is to avoid a breach of a rule of law relating to perpetuities, the provision does not prevent the fund from being treated as an indefinitely continuing fund for the purposes of paragraph (a) of the last preceding sub-section.

(4) For the purposes of sub-paragraph (iv) of paragraph (c) of sub-section (2), a person is associated with a company that is an employer of an employee if-

(a) the person has a controlling interest in the employer;

(b) the person is a company in which a controlling interest is held by a person who also has a controlling interest in the employer; or

(c) the person is the beneficial owner of shares in the employer and is not connected with the employee.

(5) For the purposes of paragraph (c) of the last preceding sub- section, a person is connected with an employee if-

(a) the person is a relative of the employee;

(b) the person is a partnership and a partner in the partnership is connected with the employee; or

(c) the person is a company that is a private company in relation to the year of income and, at any time during the year of income-

(i) the employee, or a relative of the employee, was a director of the company;

(ii) shares in the company were beneficially owned by, or held indirectly on behalf of or for the benefit of, the employee or a relative of the employee;

(iii) the employee, or a relative of the employee, was a director of another company that is a private company in relation to the year of income of that other company that corresponded to the first-mentioned year of income and shares in the first-mentioned company were beneficially owned by, or held indirectly on behalf of or for the benefit of, the other company; or

(iv) the employee, or a relative of the employee, was the beneficial owner of shares in, or was a director of, another company that is a private company in relation to the year of income of that other company that corresponded to the first-mentioned year of income and shares in the other company were beneficially owned by, or held indirectly on behalf of or for the benefit of, the first- mentioned company or a person who beneficially owned shares in the first-mentioned company or on whose behalf or for whose benefit shares in the first-mentioned company were indirectly held.

(6) In the application of the last preceding sub-section, shares in a company that is a private company in relation to the year of income shall be deemed to be held indirectly on behalf of or for the benefit of a person (not being a trustee or partnership), whether or not the shares are also to be

deemed by virtue of this sub-section to be held indirectly on behalf of or for the benefit of another person, if, in the event of the payment of a dividend on those shares, the first-mentioned person would, otherwise than as a shareholder in the company, receive the whole or a part of that dividend if there were successive distributions of the relative parts of that dividend to and by each of any private companies, trustees or partnerships interposed between the company paying the dividend and that person.

Amended by No. 51, 1973, s. 22.

(7) Where a requirement specified in sub-section (2) has not been complied with in relation to a superannuation fund in relation to a year of income but the trustee of the fund satisfies the Commissioner that, by reason of special circumstances that existed in relation to the fund during that year of income, it would be reasonable for this section to have effect as if that requirement had been complied with, this section has effect as if that requirement had been complied with.

Amended by No. 51, 1973, s. 22.

(8) Where the trustee of a superannuation fund has given an undertaking in relation to the fund for the purposes of paragraph (f) of sub-section (2), he may at any time give a fresh undertaking in relation to that fund for the purposes of that paragraph in substitution for the first-mentioned undertaking but the fresh undertaking does not have effect unless it is approved by the Commissioner.

Amended by No. 51, 1973, s. 22.

(9) An undertaking by the trustee of a superannuation fund for the purposes of paragraph (f) of sub-section (2)-

(a) shall be in writing signed by or on behalf of the trustee;

(b) shall make provision that any amounts to which the undertaking relates will be applied in accordance with the undertaking within a time that is reasonable having regard to all the circumstances of the fund; and

(c) shall be lodged with the Commissioner.

Amended by No. 51, 1973, s. 22.

(10) Subject to this section, an undertaking approved by the Commissioner in relation to a superannuation fund for the purposes of paragraph (f) of sub-section (2) has effect in relation to a year of income of the fund if the undertaking was lodged with the Commissioner before or during that year of income of the fund or within two months, or such further period as the Commissioner allows, after that year of income of the fund.

Amended by No. 51, 1973, s. 22.

(11) Subject to sub-section (13), where an undertaking approved by the Commissioner in relation to a superannuation fund for the purposes of paragraph (f) of sub-section (2) was not complied with during a year of income of the fund in relation to which it had effect-

(a) for the purposes of sub-section (15) and of this Act other than this section, this section shall be deemed not to have applied to the fund in relation to that year of income of the fund; and

(b) the undertaking does not have effect, and shall be deemed not to have had effect, in relation to any succeeding year of income of the fund.

(12) Where it appears to the Commissioner that an undertaking referred to in the last preceding sub-section was not complied with during a year of income,

he shall inform the trustee of the fund in writing of the respect in which, in the opinion of the Commissioner, the undertaking was not complied with.

Amended by No. 51, 1973, s. 22.

(13) For the purposes of sub-section (11), the Commissioner shall disregard any failure by a trustee of a superannuation fund to comply during a year of income of the fund with an undertaking if he is satisfied that the trustee of the fund endeavoured in good faith during that year of income to comply with the undertaking and that, in all the circumstances, it would be reasonable to disregard the failure.

Amended by No. 51, 1973, s. 22.

(14) The application of paragraph (b) of sub-section (11) to an undertaking in relation to a superannuation fund does not prevent the Commissioner approving a fresh undertaking given in relation to the fund.

(15) Subject to the next three succeeding sub-sections, the income derived during the year of income by a superannuation fund to which this section applies in relation to the year of income is exempt from income tax.

(16) A dividend paid to a superannuation fund by a company that is a private company in relation to the year of income of the company in which the dividend was paid is not exempt from income tax by virtue of the last preceding sub-section unless the Commissioner is of the opinion that it would be reasonable to exempt the dividend from income tax, having regard to-

(a) the paid-up value of the shares in that company that are assets of the fund;

(b) the cost to the fund of the shares on which the dividend was paid by the company;

(c) the rate of the dividend paid to the fund by the company on the shares in the company that are assets of the fund;

(d) whether the company has paid a dividend on other shares in the company and, if so, the rate of that dividend;

(e) whether any shares have been issued by the company to the fund in satisfaction of, or of a part of, a dividend paid by the company and, if so, the circumstances of the issue of those shares; and

(f) any other matters that the Commissioner considers relevant.

(17) For the purposes of the last preceding sub-section income that, in the opinion of the Commissioner, was derived by a superannuation fund indirectly from a dividend paid by a company, being a private company in relation to the year of income of the company in which the dividend was paid, shall be deemed to have been a dividend paid to the fund by the company.

Amended by No. 51, 1973, s. 22.

(18) Income (other than a dividend to which sub-section (16) applies) derived by a superannuation fund from a transaction is not exempt from income tax by virtue of sub-section (15) if the parties to the transaction were not dealing with each other at arm's length in relation to the transaction and that income is greater than the income that might have been expected to have been derived by the fund from the transaction if those parties had been dealing with each other at arm's length in relation to the transaction.

Appendix E – Example – 51 year old Medical Specialist (Client 3)

Projection for: Client 3

Interest Rate: 7.00% AWOTE: 3.0% AO: 1,101,000 UC:

Dependant on Death (yes = 1, no = b): 1 Max MR: 38.0% ML: 1.5%

R: 0.962617 Reb Rate: 15% Pension Factor (1 = 100% rev, 8% index; b = 0% rev, 0% index): 1

F: 0.75 Surcharge (1=yes, b=no) 1 Pension Phase Fund Earnings Tax Rate 5.0%

Year 1 Contribution: 95,980

Assumption: On death payable to a non-dependant, up to the PRBL is taxed as 100% post-June '83 @ 16.5%.
This assumes that the client has no pre-July '83 service.

Year Ending 30-Jun	Age	N	Account Balance	Pension RBL	Excessive Death Benefit	Gross Death Benefit to Estate	Estate tax on Death Benefit	Net Pay't From Estate on Death	Estate Tax as % of the Gross Death Benefit	Net Pay't From Estate to Depend't	Net Pay't From Estate to Non-Dep't
2004	51	0	1,101,000								
2005	52	1	1,252,532	1,238,440	14,092	1,252,532	5,566	1,246,966	0.4%	1,246,966	1,042,623
2006	53	2	1,416,905	1,275,593	141,312	1,416,905	55,818	1,361,087	3.9%	1,361,087	1,150,614
2007	54	3	1,595,085	1,313,861	281,224	1,595,085	111,083	1,484,001	7.0%	1,484,001	1,267,214
2008	55	4	1,788,107	1,353,277	434,830	1,788,107	171,758	1,616,349	9.6%	1,616,349	1,393,059
2009	56	5	1,997,082	1,393,875	603,207	1,997,082	238,267	1,758,815	11.9%	1,758,815	1,528,826
2010	57	6	2,223,200	1,435,691	787,508	2,223,200	311,066	1,912,134	14.0%	1,912,134	1,675,245
2011	58	7	2,467,735	1,478,762	988,973	2,467,735	390,644	2,077,091	15.8%	2,077,091	1,833,095
2012	59	8	2,732,055	1,523,125	1,208,930	2,732,055	477,527	2,254,528	17.5%	2,254,528	2,003,212
2013	60	9	3,017,625	1,568,819	1,448,806	3,017,625	572,278	2,445,347	19.0%	2,445,347	2,186,491
2014	61	10	3,326,015	1,615,883	1,710,131	3,326,015	675,502	2,650,513	20.3%	2,650,513	2,383,892
2015	62	11	3,658,906	1,664,360	1,994,546	3,658,906	787,846	2,871,060	21.5%	2,871,060	2,596,441
2016	63	12	4,018,102	1,714,291	2,303,812	4,018,102	910,006	3,108,097	22.6%	3,108,097	2,825,239
2017	64	13	4,405,534	1,765,719	2,639,815	4,405,534	1,042,727	3,362,807	23.7%	3,362,807	3,071,464
2018	65	14	4,823,271	1,818,691	3,004,580	4,823,271	1,186,809	3,636,462	24.6%	3,636,462	3,336,378

	Act. Val. Factor	SIS Factor	Excessive Amount	Non-Reb Prop	UPRL
100% rev, 8% index :	37.7	14	-27,556	0.0%	27,556
0% rev, 0% index :	13.2	7	-923,123	0.0%	923,123

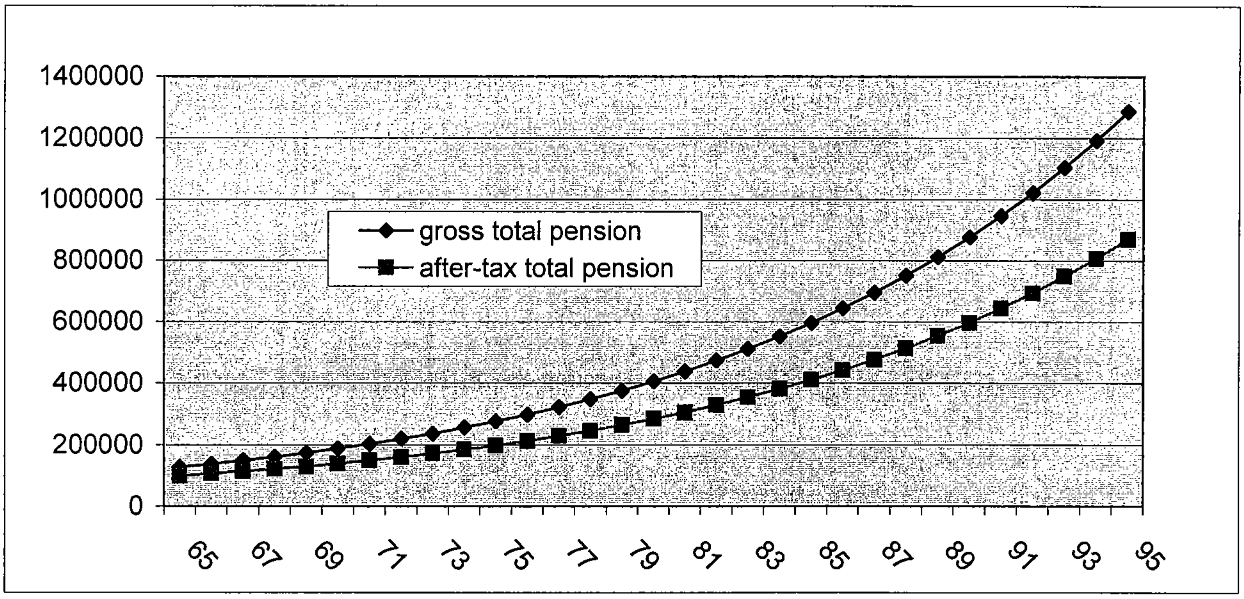
Projection for: Client 3 Earning Rate: 7.00%

Allocated Pension:	Maximum,	100.00%	rebatable			
Lifetime Pension:	8%	indexed,	100%	reversion,	100.00%	rebatable

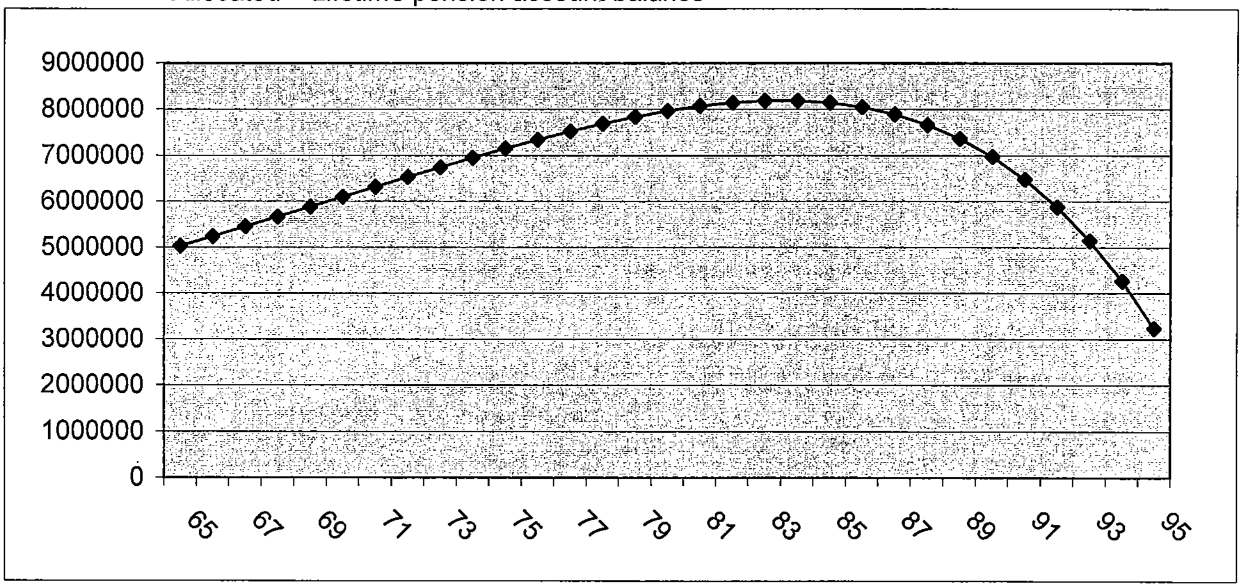
$0	allocated pen. assets, including	$0	undeducteds
$4,823,271	lifetime pen. assets, including	$0	undeducteds

Notes:

Gross and After-tax (allocated + lifetime) Pension



Allocated + Lifetime pension account balance



Projection For: Client 3 Earning Rate: 7.00%

Allocated Pension:	Maximum,	100.00%	rebatable,	$0	deductible	
Lifetime Pension:	8%	indexed,	100%	reversion,	100.00%	rebatable,
					$0	deductible

$0 allocated pen. assets, including $0 undeducteds
$4,823,271 lifetime pen. assets, including $0 undeducteds

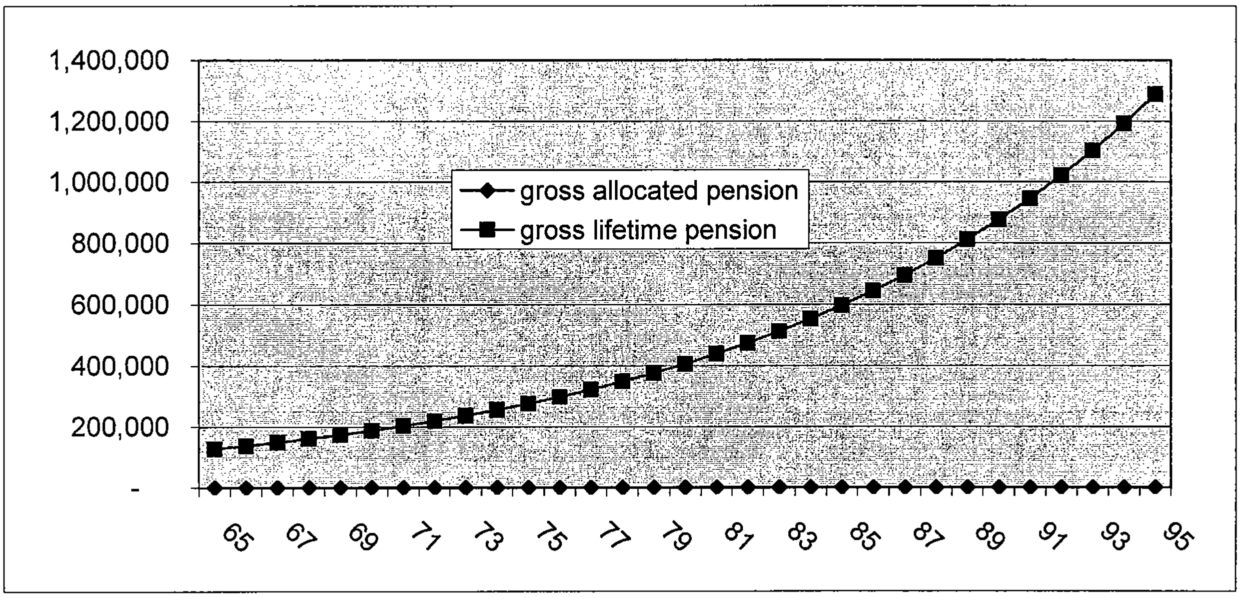
Year Ending 30-Jun	Age	Allocated plus Lifetime Pension Gross	Tax	Net	Earnings	Balance	Earn'sTax	Pension Tax as a % of Gross Pension	Fund Tax as a % of Earnings	Fund + Pension Tax as a % of Fund Assets
						4,823,271				
2,019	65	127,938	28,571	99,367	333,151	5,028,484	16,658	22.3%	5.0%	0.9%
2,020	66	138,173	32,000	106,173	347,158	5,237,469	17,358	23.2%	5.0%	0.9%
2,021	67	149,227	35,703	113,524	361,400	5,449,641	18,070	23.9%	5.0%	1.0%
2,022	68	161,165	39,702	121,463	375,834	5,664,310	18,792	24.6%	5.0%	1.0%
2,023	69	174,059	44,022	130,037	390,410	5,880,661	19,520	25.3%	5.0%	1.1%
2,024	70	187,983	48,686	139,297	405,067	6,097,745	20,253	25.9%	5.0%	1.1%
2,025	71	203,022	53,724	149,298	419,736	6,314,460	20,987	26.5%	5.0%	1.2%
2,026	72	219,264	59,165	160,098	434,338	6,529,534	21,717	27.0%	5.0%	1.2%
2,027	73	236,805	65,042	171,763	448,779	6,741,508	22,439	27.5%	5.0%	1.3%
2,028	74	255,749	71,388	184,361	462,954	6,948,714	23,148	27.9%	5.0%	1.4%
2,029	75	276,209	78,242	197,967	476,743	7,149,247	23,837	28.3%	5.0%	1.4%
2,030	76	298,306	85,644	212,661	490,007	7,340,948	24,500	28.7%	5.0%	1.5%
2,031	77	322,170	93,639	228,531	502,590	7,521,368	25,130	29.1%	5.0%	1.6%
2,032	78	347,944	102,273	245,671	514,318	7,687,742	25,716	29.4%	5.0%	1.7%
2,033	79	375,779	111,598	264,181	524,990	7,836,952	26,249	29.7%	5.0%	1.8%
2,034	80	405,842	121,669	284,173	534,382	7,965,493	26,719	30.0%	5.0%	1.9%
2,035	81	438,309	132,546	305,764	542,244	8,069,427	27,112	30.2%	5.0%	2.0%
2,036	82	473,374	144,292	329,082	548,292	8,144,346	27,415	30.5%	5.0%	2.1%
2,037	83	511,244	156,979	354,265	552,211	8,185,313	27,611	30.7%	5.0%	2.3%
2,038	84	552,143	170,680	381,463	553,647	8,186,816	27,682	30.9%	5.0%	2.4%
2,039	85	596,315	185,477	410,837	552,206	8,142,708	27,610	31.1%	5.0%	2.6%
2,040	86	644,020	201,459	442,561	547,449	8,046,137	27,372	31.3%	5.0%	2.8%
2,041	87	695,541	218,718	476,823	538,886	7,889,481	26,944	31.4%	5.0%	3.1%
2,042	88	751,185	237,359	513,826	525,972	7,664,269	26,299	31.6%	5.0%	3.4%
2,043	89	811,279	257,491	553,789	508,104	7,361,093	25,405	31.7%	5.0%	3.8%
2,044	90	876,182	279,233	596,949	484,610	6,969,522	24,231	31.9%	5.0%	4.4%
2,045	91	946,276	302,715	643,562	454,747	6,477,992	22,737	32.0%	5.0%	5.0%
2,046	92	1,021,978	328,075	693,904	417,690	5,873,704	20,885	32.1%	5.0%	5.9%
2,047	93	1,103,737	355,464	748,273	372,528	5,142,496	18,626	32.2%	5.0%	7.3%
2,048	94	1,192,036	385,044	806,992	318,253	4,268,713	15,913	32.3%	5.0%	9.4%
2,049	95	1,287,399	416,991	870,408	253,751	3,235,066	12,688	32.4%	5.0%	13.3%
		15,780,652	4,843,590	10,937,062	14,192,447		709,622			

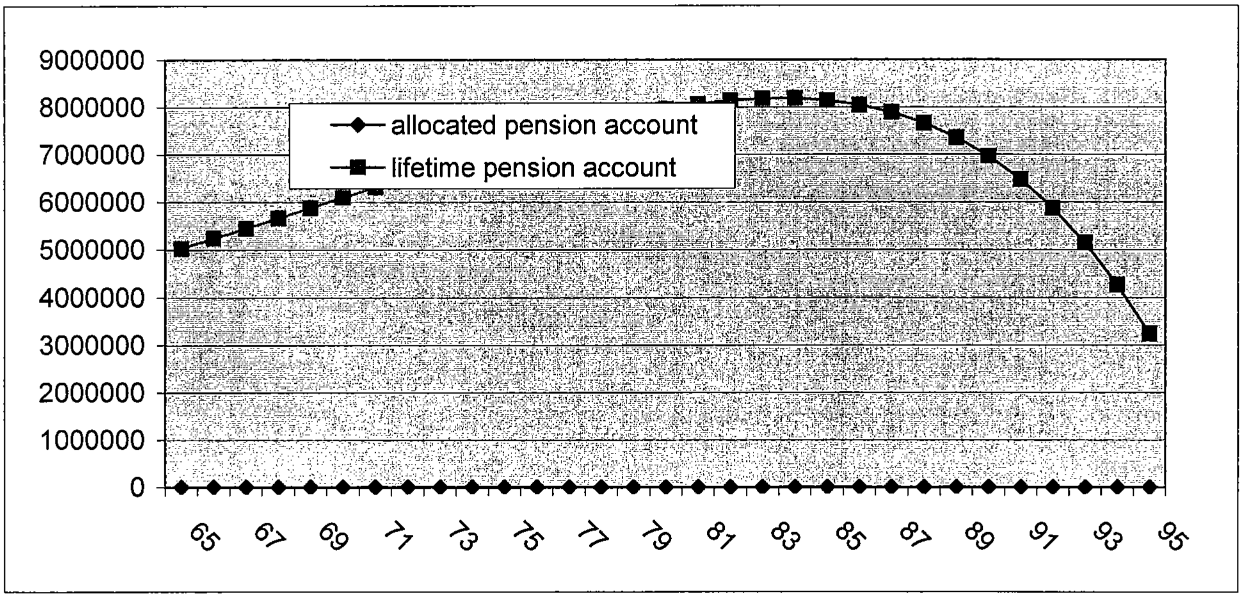
Projection for: Client 3 Earning Rate: 7.00%

Allocated Pension:	Maximum,	100.00%	rebatable			
Lifetime Pension:	8%	indexed,	100%	reversion,	100.00%	rebatable

$0	allocated pen. assets, including	$0	undeducteds
$4,823,271	lifetime pen. assets, including	$0	undeducteds

Notes:





Projection For: Client 3 Earning Rate: 7.00%

Allocated Pension:	Maximum,	100.00%	rebatable			
Lifetime Pension:	8%	indexed,	100%	reversion,	100.00%	rebatable

Allocated Pens. assets include	$0	undeducteds, which includes	$0	Low -Tax Pays
Lifetime Pens. assets include	$0	undeducteds, which includes	$0	Low -Tax Pays

Notes:

Year Ending			Allocated Pension			Lifetime Pension	
30-Jun	Age	Gross	Earnings	Balance	Gross	Earnings	Balance
				0			4,823,271
2,019	65	0	0	0	127,938	333,151	5,028,484
2,020	66	0	0	0	138,173	347,158	5,237,469
2,021	67	0	0	0	149,227	361,400	5,449,641
2,022	68	0	0	0	161,165	375,834	5,664,310
2,023	69	0	0	0	174,059	390,410	5,880,661
2,024	70	0	0	0	187,983	405,067	6,097,745
2,025	71	0	0	0	203,022	419,736	6,314,460
2,026	72	0	0	0	219,264	434,338	6,529,534
2,027	73	0	0	0	236,805	448,779	6,741,508
2,028	74	0	0	0	255,749	462,954	6,948,714
2,029	75	0	0	0	276,209	476,743	7,149,247
2,030	76	0	0	0	298,306	490,007	7,340,948
2,031	77	0	0	0	322,170	502,590	7,521,368
2,032	78	0	0	0	347,944	514,318	7,687,742
2,033	79	0	0	0	375,779	524,990	7,836,952
2,034	80	0	0	0	405,842	534,382	7,965,493
2,035	81	0	0	0	438,309	542,244	8,069,427
2,036	82	0	0	0	473,374	548,292	8,144,346
2,037	83	0	0	0	511,244	552,211	8,185,313
2,038	84	0	0	0	552,143	553,647	8,186,816
2,039	85	0	0	0	596,315	552,206	8,142,708
2,040	86	0	0	0	644,020	547,449	8,046,137
2,041	87	0	0	0	695,541	538,886	7,889,481
2,042	88	0	0	0	751,185	525,972	7,664,269
2,043	89	0	0	0	811,279	508,104	7,361,093
2,044	90	0	0	0	876,182	484,610	6,969,522
2,045	91	0	0	0	946,276	454,747	6,477,992
2,046	92	0	0	0	1,021,978	417,690	5,873,704
2,047	93	0	0	0	1,103,737	372,528	5,142,496
2,048	94	0	0	0	1,192,036	318,253	4,268,713
2,049	95	0	0	0	1,287,399	253,751	3,235,066
		0	0		15,780,652	14,192,447	

Projection For: Client 3

Allocated Pension: Maximum, 100.00% rebatable
Lifetime Pension: 8% indexed, 100% reversion, 100.00% rebatable

$0 allocated pen. assets, including $0 undeducteds
$4,823,271 lifetime pen. assets, including $0 undeducteds

Net Fund Earning Rate: 7.00%
Gross (Fund and Outside) Earning Rate: 7.00%
Outside Fund Marginal Tax Rate: 48.50%
Net Outside Earn. Rate: 3.61%
AWOTE: 3.00%
COL: 2.00%

Notes:

Dependant on death(1)/No dependant(0) 1

Year 30-Jun	Age	Allocated Pension Balance at *end* of year	Allocated Pension UPP at *end* of year	Lifetime Pension Balance at *end* of year	Unused *Pension* RBL	*Net* Payment from Fund assuming paid to a dependant	*Gross* Payment from Fund on death [at *end* of year]	Tax on death benefit paid from Fund	*Net* Payment from Fund on death (at *end* of year)	Tax Paid on Death Benefit as a % of the Gross Death Benefit	(Maximum) Surcharge Payable if chose to distribute death benefit to remaining fund members
2,019	65	0	0	5,028,484	$\boxed{27,556}$	3,053,117	5,028,484	1,975,367	3,053,117	39.3%	502,848
2,020	66	0	0	5,237,469	28,382	3,179,880	5,237,469	2,057,589	3,179,880	39.3%	523,747
2,021	67	0	0	5,449,641	29,234	3,308,580	5,449,641	2,141,061	3,308,580	39.3%	544,964
2,022	68	0	0	5,664,310	30,111	3,438,801	5,664,310	2,225,509	3,438,801	39.3%	566,431
2,023	69	0	0	5,880,661	31,014	3,570,051	5,880,661	2,310,611	3,570,051	39.3%	588,066
2,024	70	0	0	6,097,745	31,945	3,701,754	6,097,745	2,395,991	3,701,754	39.3%	609,775
2,025	71	0	0	6,314,460	32,903	3,833,245	6,314,460	2,481,215	3,833,245	39.3%	631,446
2,026	72	0	0	6,529,534	33,890	3,963,755	6,529,534	2,565,779	3,963,755	39.3%	652,953
2,027	73	0	0	6,741,508	34,907	4,092,401	6,741,508	2,649,108	4,092,401	39.3%	674,151
2,028	74	0	0	6,948,714	35,954	4,218,173	6,948,714	2,730,540	4,218,173	39.3%	694,871
2,029	75	0	0	7,149,247	37,033	4,339,922	7,149,247	2,809,325	4,339,922	39.3%	714,925
2,030	76	0	0	7,340,948	38,143	4,456,340	7,340,948	2,884,608	4,456,340	39.3%	734,095
2,031	77	0	0	7,521,368	39,288	4,565,946	7,521,368	2,955,422	4,565,946	39.3%	752,137
2,032	78	0	0	7,687,742	40,466	4,667,068	7,687,742	3,020,674	4,667,068	39.3%	768,774
2,033	79	0	0	7,836,952	41,680	4,757,820	7,836,952	3,079,132	4,757,820	39.3%	783,695
2,034	80	0	0	7,965,493	42,931	4,836,081	7,965,493	3,129,412	4,836,081	39.3%	796,549
2,035	81	0	0	8,069,427	44,219	4,899,470	8,069,427	3,169,957	4,899,470	39.3%	806,943
2,036	82	0	0	8,144,346	45,545	4,945,319	8,144,346	3,199,026	4,945,319	39.3%	814,435
2,037	83	0	0	8,185,313	46,912	4,970,644	8,185,313	3,214,668	4,970,644	39.3%	818,531
2,038	84	0	0	8,186,816	48,319	4,972,110	8,186,816	3,214,706	4,972,110	39.3%	818,682
2,039	85	0	0	8,142,708	49,769	4,945,997	8,142,708	3,196,711	4,945,997	39.3%	814,271
2,040	86	0	0	8,046,137	51,262	4,888,161	8,046,137	3,157,976	4,888,161	39.2%	804,614
2,041	87	0	0	7,889,481	52,800	4,793,992	7,889,481	3,095,489	4,793,992	39.2%	788,948
2,042	88	0	0	7,664,269	54,383	4,658,364	7,664,269	3,005,905	4,658,364	39.2%	766,427
2,043	89	0	0	7,361,093	56,015	4,475,587	7,361,093	2,885,506	4,475,587	39.2%	736,109
2,044	90	0	0	6,969,522	57,695	4,239,350	6,969,522	2,730,171	4,239,350	39.2%	696,952
2,045	91	0	0	6,477,992	59,426	3,942,659	6,477,992	2,535,333	3,942,659	39.1%	647,799
2,046	92	0	0	5,873,704	61,209	3,577,768	5,873,704	2,295,935	3,577,768	39.1%	587,370
2,047	93	0	0	5,142,496	63,045	3,136,113	5,142,496	2,006,383	3,136,113	39.0%	514,250
2,048	94	0	0	4,268,713	64,937	2,608,222	4,268,713	1,660,492	2,608,222	38.9%	426,871
2,049	95	0	0	3,235,066	66,885	1,983,634	3,235,066	1,251,431	1,983,634	38.7%	323,507