

10 May 2017

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Changes to your Transition to Retirement account

Superannuation reforms recently announced by the government will alter the tax treatment of Transition to Retirement Income Streams ("TTRs") from 1 July 2017.

Whilst law to implement these reforms has been enacted, the detail and full practical implications of the reforms are still in the course of consideration. Specifically, further amendments have been proposed and are also expected to be introduced effective from 1 July 2017.

Netwealth and its advisers have been carefully monitoring these developments and have been in close consultation with the Australian Taxation Office regarding the practical implications of the TTR tax reforms and associated amendments.

We are writing to advise you what action Netwealth (as Trustee of the Netwealth Superannuation Master Fund) is proposing to take prior to 1 July 2017 to ensure that your TTR is appropriately treated for tax purposes. This action takes into account the proposed amendments to the recent reforms which are expected to be legislated.

In the event that these further changes are not enacted, we will communicate with you further on these issues.

How will the superannuation reforms impact TTRs?

Currently, members holding TTR and Standard Income Stream (SIS) accounts do not have tax deducted from investment income or from realised capital gains that arise when investments are sold or redeemed.

These rules will continue to apply to SIS accounts.

However, from 1 July 2017, tax of up to 15% will be applied to investment income and realised capital gains within certain TTR accounts.

Your Details

Account name

«client_name»

Client number

«client_number»

Account number

«client_account»

Adviser Details

Adviser name

«adviser_name»

Phone number

«adviser_number»

For more information

 1800 888 223

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 netwealth.com.au

Whilst the reforms as currently legislated would impose tax on earnings and realised capital gains relating to all TTR accounts, it is proposed that the law be amended so that holders of TTR accounts that have satisfied certain conditions of release would not be subject to income tax. At the time of writing, exposure draft legislation to effect this further change has been circulated for public comment.

This change is proposed in order to ensure that TTR account holders that have already satisfied relevant conditions are not required to commute their TTRs and to commence a new pension product to remain unaffected by the new TTR earnings tax.

How will my TTR account be affected by the new superannuation reforms?

Netwealth is aware that you have previously met one of the following 'Retirement' conditions of release:

- Reaching preservation age and permanently retiring from the workforce;
- Being aged 60 or more and ceasing gainful employment.

On the basis that the amendments referred to above are expected to be passed, this means that your TTR account **would not be subject to tax on income and realised capital gains from 1 July 2017**. This assumes that you are not in excess of the new \$1.6 million transfer balance cap imposed from 1 July 2017.

What action does Netwealth intend to take?

To enable us to identify your TTR account as not being subject to tax on earnings and realised capital gains, you will be issued with a new account number. Apart from having a different number to identify your account, in all other respects, your TTR account would remain the same. Your new account number will be issued to you in late May 2017 after we have carried out the administrative changes to your account.

Do I need to take any action?

If you are satisfied with the approach outlined above, **you do not need to take any action**. Netwealth will perform the relevant administrative steps and issue you with a confirmation letter prior to 31 May 2017 to notify you of your new account number.

Alternatively, it is open to you to commute your TTR account and rollover the proceeds into a new SIS account. If you wish to commute your benefits, you will need to complete a 'Transfer Between Accounts' form.

Should you choose to commute your benefits to a SIS, Netwealth would strongly recommend you discuss this with your financial adviser to ensure you understand the potential impact of commuting your benefits to SIS based on your personal circumstances.

If you require any further clarification please contact your financial adviser, or Netwealth Investor Services on Freecall 1800 888 223 or via email to contact@netwealth.com.au