

Divorce and the nest egg

In division of assets, super needs careful consideration

**DIY
SUPER**

Monica Rule



When husbands and wives are going through the carve-up that comes with separation, superannuation can often play second fiddle to more visible assets such as homes and cars.

Yet the dividing of superannuation entitlements can be an important part of both sides moving forward, particularly in instances where one partner has a significantly lower balance than the other.

A proper and well-considered division of super can be done when parties properly understand the interaction between family law and superannuation law.

At its most basic, family and superannuation law allow it to be treated as property that can be divided between couples when they split. Couples who are separated can enter into a payment split, an interest split, or flag their superannuation, according to an agreement or a court order.

A payment split can be made if a condition of release to access superannuation is legally satisfied. An interest split can be made where the superannuation is divided by specifying an amount that is to be paid to the non-member spouse. A “non-member spouse” is a person who is going to receive a share of their spouse’s superannuation as part of the property settlement. They may also be a member of the same superannuation fund.

Superannuation interests which cannot be split are lifetime pensions or fixed-term pensions that



the member is no longer entitled to commute; or, lifetime annuities or fixed-term annuities and the amount of the annual benefit payable to the member is less than \$2000. A superannuation interest that is yet to pay a benefit, or that is paying benefits in the form of a commutable pension or an annuity with an underlying capital sum, also continues to be an interest which cannot be split if the benefits payable are less than \$5000.

A superannuation agreement is only binding on the parties if it is signed by both parties and includes a statement to the effect each party has had independent legal advice. The agreement must be accompanied by a signed certificate from the legal practitioners who gave the advice. Under a valid agreement, whenever a superannuation payment becomes payable, the non-member spouse is entitled to be paid the relevant split amount.

A superannuation agreement may establish a payment flag rather than an immediate payment split. When a flag is in force, the superannuation trustee must not make any payments from the fund. A flag continues to operate until it is either terminated by a court order or a flag lifting agreement is served on the trustee.

The spouses may make a flag-lifting agreement that either provides the flag is to cease operating without any payment split; or, specifies an amount, method or percentage to enable the trustee to calculate the split amount. A superannuation interest of a member spouse that is in the payment phase cannot be flagged.

The Family Law allows a court to make a splitting order or a flagging order in relation to superannuation. A splitting order entitles a non-member spouse to be paid an amount as specified in the order whenever a splittable payment becomes payable. A flagging order requires the trustee not to make any splittable payment without the leave of the court. The trustee must notify the member and the non-member spouse, within a period specified in the order, of the next occasion when a splittable payment becomes payable.

Once a member’s superannuation is subject to a payment split, the trustee must give a payment split notice, within 28 days, to both the member and non-member spouse. If a trustee does not receive a reply from the non-member

spouse requesting a specified action to be taken within 28 days after the payment split notice is served, then the trustee may create a new interest in the superannuation fund for the non-member spouse; roll over the transferable benefits to another regulated superannuation fund nominated by the non-member spouse; or, transfer the transferable benefits to an eligible rollover fund. The trustee must provide a written notice to the non-member spouse of their intentions. The trustee must not pay a lump sum without a request from the non-member spouse, even if a condition of release has been satisfied.

Where a superannuation account is in pension phase, a superannuation agreement or court order can specify that a pension that has commenced be split. In this case the pension would be commuted and the non-member spouse paid their entitlement under the agreement or court order. The balance of the original member’s interest would be paid to the member spouse either as a lump sum or a reduced pension. In situations where the governing rules of the fund do not allow the pension to be commuted, the split can be achieved by dividing the pension payments between the member and non-member spouse.

The death of the member spouse will not negate the effect of any existing payment split or interest flag. Any payment split or flag will be dealt with at the time the interest is cashed out. If the non-member spouse dies after the operative time for a payment split, the payment split continues to operate in favour of the legal personal representative of the deceased spouse, and is binding on them.

Both the member and non-member spouse will be taxed according to their age and the components of the superannuation benefit. Tax-free and taxable proportions will carry across to the non-member spouse’s entitlement in the same proportion as the member spouse’s original benefit.

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A PAYMENT SPLIT CAN BE MADE IF A CONDITION OF RELEASE TO ACCESS SUPERANNUATION IS LEGALLY SATISFIED.

Road ahead looks good for automotive retail group

YIELDHUNTER

with Patrick Taylor

It is said those blessed with a strong name will always strive to live up to it.

With good strength showing through in the retail sector generally and specifically within automotive retailing, we do not think we are rebelling against this received wisdom in backing Super Retail Group.

With good fundamentals, an exciting track record and a positive position within market cycles this is an easy choice to relay and should get Yield Hunters to the starting block.

Formed in 1972 and listing in 2004 Super Retail operates mostly in Australia with some activities in New Zealand and China. Super Retail’s revenue is fairly evenly

split between auto, sporting and leisure retailing with the company’s team of outlets including well-known high street names like Amart, BCF, Rays, Rebel, Goldcross and Supercheap Auto.

Bringing a dividend yield of more than 4.7 per cent doesn’t have them falling at the first hurdle and with increasing sales and steady growth we don’t think it is a long jump to expect them to meet robust forecasts going forward.

Yield is expected to increase further along with earnings while also reducing leverage. We are not concerned about the capital requirement of 4 per cent for our total return goals with current pricing showing a discount of 7.3 per cent to consensus targets. We expect more to come as ratings are increasing stride by stride with price and even though targets lifted 11 per cent on results last month,

these could yet be left in the dust.

Historically the price has really been around the track with a major uptrend unfurling at the start of 2012 before sailing 130 per cent higher by the start of 2014. After this they inevitably dropped anchor all the way back down again before chopping sideways since the start of last year.

What really floats our boat is the fact that prices are tacking higher just as our long-term Buy signal has turned positive again within close correlation. This leaves us confident that we could be fishing for a bargain at the right time and are odds-on to net a profit.

If the company continues to ride this longer cycle through resistance, we should expect it to leap ahead quite aggressively and ultimately prove itself to indeed be “super cheap” and worth a shot — put it that way.

SUPER RETAIL GROUP (SUL)

Classification: Consumer retail
Current Price: \$10.33
Market Capitalisation: \$2.1b
Forecast EBITDA Growth: 15.04%
Gross Yield: 4.73%
Consensus Price Target: \$11.08
Covering Analysts: 12
Discount at Current Price: 7.3%
Price Target Trend: Increasing flat
Signal Time Frame: Monthly-weekly
Trend Bias: Up flat medium-short

INDICATORS:

Short-term: Neutral
Medium-term: Positive neutral
Long-term: Positive
Recommendation: Buy

SET UP NOTES:

- SUL has been trapped and ranging sideways for the last year after breaking out of a major consolidation that followed an epic rally beginning five years ago.
- With longer-term trend indicators turning positive with good correlation we see some shorter-term movements shaping up that could combine well and into a major uptrend here.
- Good fundamental growth forecasts support the view that with the price beating \$10 resistance we could be seeing a positive turning of the tide, with good support layered down from \$10 to \$9.50 and \$9 behind.