Allocation of investment returns

September 2015

SuperLife generally credits the investment returns of a Fund to the members' accounts invested in the Fund on a daily basis (a valuation day). Each valuation day, we calculate the amount of the investment earnings for each investment Fund since the previous valuation day. We then allocate that amount across the members' balances, for the members who had a holding in that Fund at the end of the day. The allocation is made proportional to the value at the beginning of the valuation period (the last valuation day), less any payments subsequently made prior to the allocation. There are no reserves or smoothing mechanisms applied. The total return earned on the investments of the Fund, whether positive or negative, is what is credited.

Website

The returns having been allocated to members' accounts can be seen on the SuperLife website. There will at times be a few days' delay, as the returns are subject to internal audit before they are posted. The main returns shown are the dollar amounts as opposed to percentages, but you can also see the equivalent percentage return. SuperLife does not operate a unit pricing system and accounts to members in actual dollars.

Total return

The total return includes both taxable investment earnings and non-taxable earnings. As a PIE vehicle ("portfolio investment entity") not all returns are taxable.

Total return = taxable income + non-taxable return

Tax is then deducted from the taxable amount of the returns allocated to a member, at the member's last advised PIR rate ("prescribed investor rate"). A member's PIR is currently either 10.5%, 17.5% or 28%. For information on PIRs, see the SuperLife PIR guide on our website. You should review your PIR each financial year (we suggest in March) prior to the start of the following year.

Tax payable = PIR rate x taxable income

Both the non-taxable investment return, taxable investment return and the tax payable are shown on your member statements, and on the website.

Tax can be payable even if the total return is negative

Sometimes, the total return is negative, but tax is still payable. If the non-taxable return is negative and more negative than the taxable income, the total return will be negative, but tax will still be payable on the taxable income.

Tax

In New Zealand, the tax laws are complex. There are three tax regimes that potentially apply to a member's investment earnings. There are also three different tax rates. Tax is only payable on the taxable income and not on the total investment return. The taxable income depends on the type of assets held. Over the page is a brief summary of the taxable income for each Fund.

Taxable income

The following is a brief summary of the taxable income for each Fund.

Cash & NZ bonds	Tax is payable on the interest received, the interest accrued, but not yet received and the change in the value of the assets (this mainly relates to bonds) due to interest rate changes. This is known as the "accruals tax regime". Because taxable income relates to a change in value, the taxable income over a period can be positive and negative and the tax paid can be positive and negative. Where it is negative, it is a tax credit.
Overseas bonds	Tax is payable on a combination of the accruals tax regime and the FDR regime. The accruals regime is as for NZ bonds detailed above. Where the FDR regime applies, tax is deducted throughout the year on income equal to 5% of the market value. Tax is also payable on the currency hedging gains/losses throughout the year.
NZ & Australian shares	Tax is generally payable only on the dividends received. In the case of NZ shares, any imputation credits received offset the tax liability payable. In a few cases, tax is payable under the FDR regime applicable to overseas shares. No tax is payable on market movements. Therefore, if the market goes down the total return may be negative, but tax is still payable on the dividends received.
Overseas shares & emerging markets shares	Tax is payable throughout the year. It is based on taxable income equal to 5% of the market value, under the FDR regime. In the case of overseas shares currency hedged, tax is also payable on the currency hedging gains/losses throughout the year as they arise.

	Because tax is paid on notional income of 5% of the market value, there will be years when the market value goes down and the return is negative, but tax is still payable.
Property	Property is taxed on the same basis as NZ shares and overseas shares, depending on whether the property assets are NZ or non-NZ assets.

Where a Fund is a combination of the different types of assets, the investment income and tax is based on the combination of the treatment of the individual assets.

ETF Funds

An ETF is taxed on the basis of the types of investments (cash, bonds, property and shares) in the ETF. The ETF return is subject to the NZ share regime where its distributions are taxed as dividends and benefits from imputation credits.