Cuffelinks
Connecting investors with ideas

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Where finance professionals look for news

Alex McGregor

You probably didn't need a survey to know that the eyeballs of financial professionals are restless. But we wanted to take a closer look at their financial news viewing habits. It was no surprise to discover in the *Shed Social - Wealth Know How* survey that 80% are accessing financial news and information online 'several times a day'. In the funds management sector, it is higher at 87%. Finance professionals wouldn't be doing their job if they weren't checking their chosen markets on a regular basis. So it is natural to use online sources to update current economic news and information.

Demographics of the 644 respondents

What we wanted to know was where and how is the best way to communicate key messages through the media. And given the churn of material and galaxy of choices available, we wanted to focus on discovering the principal sources for financial news and information.

Our target market was the high end of Australia's financial services professionals, ranging across financial managers, financial planners and the institutional investment industry. A breakdown of the respondents revealed that 71% work for corporations and over 70% were in, self-described, 'senior' positions. Further analysis shows that 46% worked as financial advisors, with 34% in funds management. Not unexpectedly, given the seniority, the over-50s dominated:

- 48% were aged between 45 and 59, and
- 30% were in the 30 to 44 age group.

Given that demographic, it is fair to suggest they are at the conservative end of the risk spectrum. All respondents use multiple platforms, including online, offline and social media.

Principal sources of financial news

It started to get interesting when we began to investigate the **principal** sources for financial news. By principal we mean the 'main', 'go to' sources which financial professionals use to look for their financial news and information.

While all say they spend time online checking up on financial news, their principal sources for financial information can be broken down to:

- 72% online sources
- 17% offline which includes traditional media such as print, radio and television
- 11% social media

Drilling down into these numbers we see that mainstream media has been sidelined. What emerges is that 23% of financial professionals use the financial trade press as their principal source for news. More than a third of all online media usage is directed at the financial trade media, with Bloomberg coming in second at 10%. Their strong numbers suggest the financial community go beyond local media for global economic and market news, especially when it is free.

The leading mainstream media publication online is the Australian Financial Review, favoured by 9% of respondents. That figure almost doubles the combined major metro newspapers which include the Sydney Morning Herald, The Australian, and the Daily Telegraph, favoured by 5% of the respondents.

The overwhelming dominance of trade media as a **principal** financial news source online underlines the value of specialist publications. Financial professionals are clearly looking to focus on the news and content that best fits their speciality. For instance, the superannuation or investment management sectors are well catered for in the trade media, and would attract professionals focused on those fields.

Finance professionals who are still looking offline for their principal news – 17% – are mostly reading the Australian Financial Review, which is no surprise given the audience's demographic.

The role of social media

A survey standout, given the conservative bent of the sample group, was that 42% of financial professionals said they use social media as one of their sources for financial news. More striking was that 11% said that they use social media as their principal source, broken up as:

- LinkedIn 7%
- Facebook 2%
- Twitter 2%.

While Facebook's growing use as a distribution platform for mainstream media and by large and small businesses has been well-documented, financial professionals prefer LinkedIn as their principal social media source. LinkedIn has become the finance professional's Facebook.

It would seem that Facebook still has a stigma, amongst the older crowd at least, of being a site to stay in touch with family and friends. We hear anecdotally that some workplaces ban employees from accessing Facebook on their desktops during work hours. Which means people just look at it on their smart phones where they spend most of their time anyway.

This is despite the business world, from large corporations to local businesses, all making sure they have a Facebook presence. And Facebook itself investing in improving its algorithms to expand a company's network. Given there are a couple of generations who have spent more time on Facebook than watching television, it is easy to see why they might want to control media content as well as business and social activity. Or that they are attracting such major media organisations as The New York Times, National Geographic, and locally the Fairfax papers, who all are working out distribution deals through Facebook.

Tipping point reached for smartphones and social media

Another survey stand out was just how important smartphones already are as a source, as 64% said that they use their smartphones to seek out financial information. This is nothing new you might think. You don't have to look far to see mobiles in everything we do. But what the survey numbers confirm is that mobiles are already on par with desktop as the way finance professionals look for news, and ahead of all other mobile devices. If a company does not have a presence or an ability to do business on mobile phones, it is clearly at a huge disadvantage.

The use of mobiles or other portable tablets, such as the Apple Watch, to access news and information will increase as mobile technology becomes more sophisticated and the financial industry adapts to the digital distribution of its data.

Whatever the platform or the source, this survey shows a genuine hunger amongst financial professionals for regular, up-to-the-minute financial intelligence and commentary.

And while financial professionals have traditionally taken a conservative approach in their adoption of new media, these numbers mark how the tipping point has already passed in the shift from old media to the new digital landscape. The numbers will increase as we see the generational shift in management and as traditional media brands increasingly make social media, both LinkedIn and Facebook, key to their communications strategy.

Alex McGregor is a Director at Shed Social. The survey was sponsored by Wealth Know How and carried out by McGregor Tan Research.

We should be encouraging self-sufficiency

Noel Whittaker

It seems wealth creation has become a dirty joke in Australia. For months, there have been attacks on the money accumulated in superannuation; now Labor, the Greens and even the Reserve Bank have upped the ante by calling for a review of negative gearing.

It's an attack, not so much on the wealthy, but on middle Australia. Contrary to the spin, Australians who are using negative gearing to increase their wealth are not millionaires flouting the tax system – the majority of them earn less than $80,000 a year and are only buying a single investment property.

Let's think about a typical couple with secure jobs and earning $80,000 a year each. They are about to turn 50, have just paid their house off, and are well aware there's unlikely to be much of a pension available to them when they retire.

The options available to them are cash, property and shares. Cash is particularly unappealing, with rates at historic lows and likely to fall further. They are terrified of shares, which they regard as a bit of a punt and are becoming increasingly wary of super, due to the barrage of calls to change the rules.

The only option left for them is property. They are not interested in non-residential property, where vacancies of a year or more are common, so their choice of asset to build a portfolio for their retirement is residential real estate.

They decide to bite the bullet and borrow $450,000 at 5%, secured by a mortgage over their existing home, to buy a property for $450,000. Repayments of $3560 a month will have the property paid off in 15 years when they want to retire.

In Year One, the net income from the property will be $18,000, and the interest for the first year on their loan will be $22,500. Hence they are negatively geared to the tune of $4500 and should qualify for a tax refund of around $1250 each when depreciation allowances are taken into account. The total cost to the taxpayer is just $2500 – hardly the stuff that grand tax schemes are made of.

Now fast forward to Year Five, when their net rents are likely to have increased to $21,000, while their loan is down to $339,000. Their interest deduction for the year is just $16,950.

Lo and behold, they are now positively geared. In fact, the surplus rents may well push them into a higher tax bracket, unless our squabbling politicians have got their act together and agreed to personal tax cuts in that time.

By the time they get to 65, the debt should be paid off and the property could be worth $670,000, assuming capital growth of 4% per annum; producing rents of $24,000 per annum assuming annual increases of 3%.

Let's hope by now they're feeling better about their employer-paid superannuation, because they're going to need it. They're well outside pension eligibility, but the rents from the property probably won't be enough for them to live on, particularly with increasing maintenance costs as the property ages. Once they exhaust their superannuation, they'll be forced to sell the house to provide enough

funds to live on. This will generate a hefty capital gains tax bill.

Let me stress that this is not the kind of strategy I recommend – I much prefer the flexibility and growth potential of a diversified share portfolio. However, the couple in question are typical of many Australians in their tax bracket. Instead of being attacked, they should be commended for trying to be self-sufficient, and for the substantial contribution to taxes they will make in the future.

Addendum from the Editor

As background to the negative gearing debate, I asked a suburban accountant about his client's income and expenses on investment properties. This practice is a small operation with a few staff in western Sydney, doing basic accounting work in the same way as thousands of other small firms. He sent me the table below.

Although this is a tiny sample, it shows how different the experiences are. In cases where loans are repaid, there is strong positive net income. But others with maximum gearing, depreciation and interest in advance create sizeable deductions. In most cases, there is either net income or a small deduction.

Noel Whittaker is the author of Making Money Made Simple and numerous other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions. See www.noelwhittaker.com.au.

Gross rent and gross expenses on selection of investment properties, FY2013-2014

No.	Locality	Gross Rent ($)	Gross Expenses (incl dep&int) ($)	Net Rent ($)	Comment
1	Soldiers Point NSW 2317	18,086	17,795	291	Short-term
2	Colyton NSW 2760	19,019	21,660	-2,641	House
3	Hamlyn Terrace NSW 2590	20,857	20,278	579	Unit
4	South Wentworthville NSW 2145	16,790	5,508	11,282	House, no loan
5	Blacktown NSW 2148	17,145	9,244	7,901	Unit
6	Toukley NSW 2263	15,112	14,657	455	House
7	Werrington NSW 2747	20,947	9,798	11,149	House
8	Stanmore NSW 2048	24,513	4,286	20,227	House, no loan
9	Prairiewood NSW 2176	17,704	11,390	6,314	Unit
10	Hinchinbrook NSW 2170	23,548	26,837	-3,289	House
11	Liverpool NSW 2170	20,220	23,100	-2,880	Unit
12	Rivett ACT 2611	12,375	31,209	-18,834	House, max loan, high dep'n
13	Wentworth Point NSW 2127	21,320	36,396	-15,076	Unit
14	Melbourne NSW 3000	1,521	8,873	-7,352	Unit
15	Kirwin QLD 4000	15,697	24,261	-8,564	House
16	Holiday Home, Kiama NSW	15,469	35,100	-19,631	Short-term, max loan + dep'n

How I lost my files to ransomware

Graham Hand

This is a cautionary tale, at the risk of embarrassing myself. I did not even know what 'ransomware' was until it infected my computer. This article is not a definitive piece on how to protect yourself from a virus. The main message is **don't do as I did.**

Ransomware is a type of malware that prevents access to computer files until the victim pays a ransom to regain access or retrieve the data.

How was I tricked?

Let's start at the beginning to at least give me some excuses. I had been exchanging emails and phone calls with Telstra, as part of a significant upgrade to faster broadband speed, higher data allowance and upgraded mobile phone plan. In my defence, my head was in a 'Telstra' numbers mode, full of megabytes and download speeds.

Then a few days after my upgrade, I received an email, supposedly from Telstra Customer Care, telling me I was over 50% of my monthly data allocation, with a link to my usage level. How could that be? I only just changed to the new package. Immediately preparing myself to call Telstra and tell them to get their act together, that they had me on the wrong plan, I clicked on the link to check the numbers. Bad mistake, a strike at my soft underbelly.

The email was not from Telstra. The message in the screen print jumped up on my computer.

It was a ransomware virus called CryptoLocker. Google it if you want to know more. It works by encrypting all the files on your computer, and to unlock or decrypt them, you pay a 'ransom' to receive a decryption key. I immediately removed the virus but it was too late. All my files – Word, Excel, Powerpoint presentations, photographs, videos – were encrypted and could not be opened. The ransom requested was GBP700, payable in Bitcoins. They said if I tried to remove the virus, it would not decrypt the files and the cost of the key would increase to GBP1,400.

Searching online for a solution, some people suggested there is a publicly available key to decrypt the files, but this is a public key used by other malware scams. My understanding is CryptoLocker uses two keys: one to encrypt and another to decrypt the data. The decryption key is a private key, which is not available other than by paying the ransom.

What about my backup?

I immediately contacted my technical support, who said this was a particularly nasty virus, and industry advice is not to pay the ransom as most people do not receive the decryption code after payment. An online search confirmed this, while others said they did not want to encourage criminals by paying the ransom. It was better to rebuild from backups.

Where were my backups? This is the embarrassing bit.

First, we tried 'System Restore', which if enabled on the computer, should hold shadow copies of files. But when we clicked on 'Previous Versions', nothing was there.

Second, what about back-ups to external hard drives? I had been told some months earlier that there are only two types of external hard drives: those that have stopped working, and those that are about to stop working. A company called Backblaze, which runs 25,000 external hard drives continuously in its backup business, reports a 5% fail in the first 18 months, and 22% in four years. No doubt this is unfair, but I used it as an excuse not to back up to external hard drives more regularly.

Third, my computer had been set up to copy files regularly to Dropbox. When I went into my Dropbox account, the files there were also encrypted. So I wrote to Dropbox asking if they had saved previous versions. There ensued an exchange of emails with Dropbox, such as:

"I'd be happy to help you roll back your entire account to a certain point in time. Could you go to https://www.dropbox.com/events and send me the link indicating the first event you would like to undo? Your account will be reverted to before this event took place."

But over many exchanges of email, we could not open my old files. I don't blame Dropbox for this, we just ran out of time and patience.

So where did I eventually find some of the lost files? I had older files on an external hard drive from my last (too long ago) back up. Otherwise, I retrieved every file I had emailed to anyone. Photographs, documents, spreadsheets – I recovered a decent amount of material stored by Google on gmail (and it would be the same with any eputable email service). And thank goodness all Cuffelinks files are stored 'in the cloud' by services like Mailchimp and Wordpress.

But I did lose a lot of personal material. I had copied photographs to my computer from my iphone to free space on the phone. Other personal records, documents and spreadsheets, were lost.

What are the lessons?

All it takes is one email from a trusted friend or a familiar company, complete with logo and well-designed customer letter, plus a moment's lack of the usual caution and this could happen to you. The lessons are:

1. Always pause before opening a link, regardless of who it is from, and make sure it is legitimate. Hackers have ways of accessing your contacts and companies you deal with.

2. Back up to an external hard drive regularly, but make frequent checks and hardware upgrades.

3. Store additional copies in the 'cloud'.

4. Activate the programme which stores shadow copies.

5. Email important documents to yourself. From my experience, this is a robust solution, and if anyone thinks it is not, let me know.

Repeating, I am not a technical expert on this subject, and I welcome comments from people who know a lot more than I do. Including the best ways to back up (no product flogs, please).

Comment by Tony Cuffe who works in technical support

This type of invasive software is, unfortunately, becoming more and more common. It opens up a lot of discussion as to how to avoid it in the future. Backing up properly is a form of risk management.

For Mac users I suggest that an Apple Time Machine is installed as well as using a programme such as Carbon Copy to do remote backups of valuable files such as photos and documents on a regular basis to remote drives. These can be setup to run automatically in the background.

For Windows users this is not so simple. There are a range of different solutions from different suppliers. One that seems pretty good is from Acronis. They do both automatic updates to local remote drives and also the cloud.

Speaking of cloud, we are now primarily using Google Drive along with the full suite of Google apps for work applications. This means that all files are being kept in the cloud and are not touchable with programmes like CryptoLocker. We are currently retiring our laptops and replacing with them with Chromebooks. The only thing needed is an internet connection via wi-fi and you have everything available.

Finally, as for email, using a hosted cloud service such as Apple iCloud or Google Gmail is the only way to go as you can easily re-download your email to any device whether it be Windows, Apple or Linux. I use both for different email addresses but my first choice is now Gmail and particularly Gmail for business so you can set up your own domain name for your email address.

Graham Hand is Editor of Cuffelinks. This article is a general warning and does not consider the personal circumstances of any readers, nor is it intended as a definitive solution to protecting data and files.

The upside of fintech for wealth managers

Anita Kimber

Fintech has captured the imagination of many financial services firms looking to leverage differentiating technology to accelerate their innovation. Nowhere is that more true than within the wealth and asset management sector.

Increasingly, financial services organisations are becoming technology services providers. While fintechs are seen by many as disruptive to traditional financial services businesses, in reality they present great opportunities for savvy organisations.

The early impact of fintech has already been felt by the banking sector, where traditionally large value chains and highly visible, commoditised products made it ripe for disruption. Bitcoin was an early mover and progress has also been relentless in peer-to-peer lending, with a range of new market offerings launched. Banks have found themselves on the back foot, forced to adapt to compete with new challengers.

There are clear lessons here for the wealth and asset management industry. Looking at how disruption has driven new cost models and customer experience in the banking sector can help create a framework for wealth managers' adoption strategies. One message in particular stands out: disrupt yourself and do it now.

Why now?

Wealth and asset managers have so far enjoyed a level of insulation from fintech disruption. This has been the result of two key factors. Firstly, wealth and asset managers operate in a highly regulated, formal market. By its nature, this environment makes it hard for start-ups to get a foothold. Secondly, the nature of wealth and asset management products means they are not something that a typical consumer uses on a daily basis. Asset management operates differently from a cash or credit transaction. This level of complexity has made it difficult for start-ups to target the core factory of a wealth management firm. But, while these factors have provided a degree of security to date, there is no doubt that the value chain for the wealth and asset management industry is under threat.

Traditional and emergent fintechs

Traditional fintechs are large, established technology companies. They have built up industry knowledge over time, understand start-up principles and have the existing technology and a well-funded community of developers to support their aspirations.

The major upside with these large companies is their high visibility. There are opportunities here for wealth and asset management firms to form strategic partnerships that ensure they will be at the forefront of the wave of technology adoption these large players are driving.

The second type of fintechs are innovative firms with specific intermediation strategies. These are the disrupters with the ability to put elements of the traditional wealth management value chain under immediate threat. While it is unlikely these start-ups will steal core business in the short term due to the barriers mentioned earlier, the opportunities are immense and there is likely to be some consolidation in the market.

Low cost transaction platforms

As regulators apply continued pressure on increasing fee transparency across the industry, organisations with higher operating costs will become less attractive to consumers. The winners will be wealth managers who are adaptable, agile and have low cost models. These platforms are highly disruptive as the fee models are low and simple to understand. Most consumers want to maximise returns without passing income to the asset manager. In some overseas markets, new entrants have changed the revenue structure to leverage the inherent value in consumer data, rather than the trading fee. Under this model, they are able to employ aggressive advertising campaigns and upsell to other revenue-driving products.

If fintechs can cause a degree of intermediation in the value chain which reduces cost, then adopting a business model which uses the same or similar delivery models could be the strategic shift needed for an early adopter to change the game.

Transactional versus relationships

Fintech providers target two different types of client. The first is the transactional client, who is often defined by a fee for service arrangement. This type of client benefits from innovative technologies in self-service advice, payment processing and automated account management. The second type of client is relationship-based. They seek an ongoing personal relationship with their planner. Fintech can be used to enhance this relationship via integrated multi-channel communication, single customer view and ongoing risk mitigation.

Consumer experience and data analytics are key

The level of service consumers expect from their wealth and asset management providers is changing. Some new entrants in markets such as New Zealand are already capitalising on this, using real-time video chat and digitalised documentation to engage with their customers on hosted platforms. This solution is scalable and offers immense back-office opportunity, the capacity to reduce storage costs and paper use, restructure the organisation and bring increased efficiencies to the wealth management business model. It also has the added advantage of providing an immediate improvement in customer experience.

Other start-ups are experimenting with the use of social media insights to provide predictive analytics. Done well, this can provide the ability to determine emerging market sentiment and identify which stocks are going to become buy or sell opportunities ahead of the traditional stock market. It can allow for new types of risk management strategies and profiles to be defined, enabling wealth managers to respond to market sentiment and redress and balance the investment mix in their portfolio before anyone else. In a highly competitive market, adopting a solution like this could help attract new customers by maximising returns and improving the investment profile.

Mega-algorithms are coming

The rise of the robo-advisor is imminent, with pilots already running in Australia. Robo-advisors have the potential to impact the industry's entire investment and scaled advice model, by turning the handling of consumer-managed portfolios into a computer-driven process. Considering how the use of robo-advisor models could change the way the wealth and asset manager advisory workforce is managed going into the next few years, wealth managers will need to deal with this level of change. Otherwise they may find their customers choosing the reliability and predictability robo-advisors can bring to their financial planning needs at a fraction of the cost, and switching to a competitor.

The way forward

Fintech will change wealth and asset management behaviour, and soon. The current regulatory framework provides some level of insulation, but the industry is not immune from market disruption. Preparing for the change requires new ways of thinking and a strategy, plus an operating model to support it. By taking a global view of what is happening in other markets and across the broader financial services sector, Australian wealth and asset managers can position themselves to capitalise on the opportunities fintech presents.

Anita Kimber is an advisory partner in EY's Oceania Financial Services Office.

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What happened to our gold-plated bank capital position?

Campbell Dawson

APRA released a paper last week which gave some clarity to the question of just how well capitalised the Australian major banks are (but no clarity on where they need to get to). Despite the major banks claiming for the past five years that they are the best capitalised banks in the world, it seems they are not even in the top quartile. There is no agreement as to how much extra capital needs to be raised, but in one sense it doesn't matter. Earnings

Per Share and Returns on Equity may well be unchanged as banks will continue to practice regulatory arbitrage and the oligopoly will allow them to increase fees without much fuss. Still, it will be unarguably a better outcome for hybrid and debt holders.

Recap on what the fuss was all about

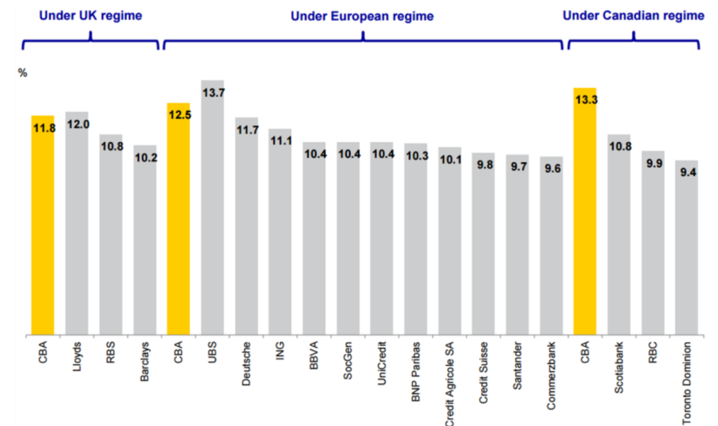
There's been an ongoing discussion about how much capital banks should have. Although the Basel regulations are meant to standardise capital, each national regulator does its own renovations, so it's not easy to compare capital levels between banks of different domiciles. The most important capital level is common equity (or CET1) and the minimum level for the four major Australian banks is 7% of risk weighted assets. Differences between regulators are myriad. For example, in contrast to other regulators, APRA says that banks need to put aside risk for any interest rate bets they take on their deposit book and APRA won't allow banks to claim past tax losses as an asset (because this reduces the amount of tax paid in the future). This means that Australian bank capital levels would be naturally lower than their overseas counterparts. On the other hand, Australian banks set aside far less capital for housing risk than overseas banks which has the opposite effect of overstating domestic bank capital levels.

APRA's report used some confidential data available to the Basel Committee. APRA came to the conclusion as at June 2014, that Australian bank equity capital levels were around the middle of the second quartile and 0.7% lower than the global first quartile level. So, for example, if the Australian banks capital levels (under APRA rules) are 8%, the top quartile of the world would be 8.7% (under APRA rules) or if Australian banks were judged on the Basel survey and the top quartile of banks had 11% CET1 levels, Australian banks would have 10.3% CET1 levels.

Second quartile is news for Australian bank CFOs

One of the most enduring attempts at agenda-setting by the banks is claiming they have the best capital levels in the world. Figure 1 below from the CBA February 2015 results is typical and gives the impression that on a comparative basis, CBA has a gold-plated capital structure. It purports to show what CBA's CET1 capital levels would be under the various regulatory regimes operative in the UK, Europe and Canada.

Figure 1: CBA capital levels compared with banks in other countries, according to CBA



Unfortunately, the APRA paper calculated that the banks were middle second quartile. It's hard to understand how the Australian banks can justify their claims on capitalisation and relative safety. APRA baulked a little as to whether the middle top quartile is an appropriate target, probably because global banks continue to grow capital and there are a number of large global banks who have to hold additional capital because they are Globally Systemically Important Banks or GSIBs.

How much additional capital is required?

No one actually knows how much extra capital is required, as it's a combination of factors:

- An expectation that Basel 3 will soon be replaced by Basel 4
- Global banks continue to increase their capital levels
- Small changes in assumptions or bank structures can change nominal capital levels and regulatory capital adequacy materially
- APRA continuing its Delphic-ness by not telling anyone what might be an appropriate CET1 capital level. Even the analysts are confused. From a survey of five of the major analysts there was a range of $8 billion to $20 billion additional capital needed.

A few months ago we estimated that the banks needed to raise $20 billion if their mortgage risks were raised to international standards. They have since raised $8 billion, so our simple estimate is now $12 billion to $14 billion.

What do the banks do and does it matter?

There is no problem with the banks meeting whatever new targets APRA decides on. There is still a lot of cash floating around in Australia and the only issue is at what price the new equity is raised. Banks have been optimising their regulatory capital since 1994 when Westpac started buying back shares (between 1994 and 2004, the total number of shares decreased by 2%, but assets increased 161% and EPS 260%: that's gold medal-winning regulatory arbitrage). They'll do it again and may sell divisions or assets that don't cut it in the new regulatory environment if it will produce a better EPS outcome. It's an extremely effective oligopoly and if they have to issue more shares, which are potentially dilutive to RoE, EPS or DPS, they just put up interest rates and fees.

Although it's not reflected in market prices, hybrids are now approximately $20 billion to $30 billion safer than they were three months ago. There might be a bit more supply over the next few years as banks attempt to push up their total capital levels, but we think that will be price-driven and at the moment raising hybrid capital is historically very expensive.

On a tangent, we are continuing to develop the view that while capital levels are important in protecting hybrid holders up to a certain point, at some stage the profitability of the bank becomes more important. It explains why the US banking system was able to move from 'insolvency in 2010' to repurchasing stock in 2013. Australian banks are wonderfully profitable, so the profit-generating capability becomes more and more important. For example, in 2007 banking system profits were $20 billion while in 2015, it will be more like $34 billion. It's pretty easy to recapitalise when you are making that much money each year.

Campbell Dawson is an Executive Director at Elstree Investment Management, a boutique fixed income fund manager. See www.eiml.com.au

The ATO's SuperStream comes on strong

Philip Hind

SuperStream is making super contributions simple, by requiring employers to process superannuation contributions electronically in a standard format and with a minimum set of agreed information. It will reduce administrative costs across the system and protect individuals' retirement savings by ensuring contributions reach the right account quickly, efficiently and with fewer errors. Over 250,000 employers have now adopted the process, making over two million super contributions each month, including to SMSFs.

Every day, the Australian Taxation Office (ATO) hears good news about employers who are saving time and money, as well as cutting down on paperwork when paying super for their employees. We encourage all employers to adopt SuperStream. Our outreach activities reaches employers directly and through key touch points, such as their super funds, payroll software providers, industry bodies and accounting professionals.

For small employers – those with 19 or fewer employees - 1 July 2015 marked the start of SuperStream. These employers have until 30 June 2016 to make the change, but they should start preparing now. Medium to large employers – those with 20 or more employees – should already be well-progressed with their implementation.

One employer told me that they have cut the time spent processing super each month from a day to less than an hour. He likened the changes to the introduction of internet banking. After the initial set-up steps, things are much easier and faster than before.

It is also pleasing to see many accounting professionals helping their employer and SMSF clients with implementation. In addition to a range of communication activities dedicated to accounting professionals, we also offer more in-depth SuperStream information on our website. Employers that have not yet made the change should speak with their payroll software provider, accounting professional or super fund to help find a solution that best suits their business needs.

Small employers and those with turnover of less than $2 million have the option of using our free Small Business Superannuation Clearing House to meet their super guarantee and SuperStream obligations. They simply log in to make super payments and can opt to pre-populate employee information each time they pay.

The ATO has provided resources on its website, including:

- Employer checklist
- Frequently asked questions for employers
- Small Business Superannuation Clearing House

The ATO is pleased that employers and SMSFs are getting ready for SuperStream and benefiting from a simplified and consistent process. We continue to welcome the support of accountants and bookkeepers to help prepare their clients.

Philip Hind National Program Manager, Data Standards & E-commerce (SuperStream) at the Australian Taxation Office.

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