

MAKING THE RIGHT CHOICE

A Guide to Super Beneficiary Nominations for All Ages



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BY WEALTH ADVISER

Introduction

Beneficiary nominations are a vital aspect of superannuation that often go overlooked. For people at any stage of life, making informed decisions on these nominations can protect their intentions for their loved ones and provide essential peace of mind. Whether you're early in your career, have a family, or are planning your retirement, choosing the right super beneficiary nomination can ensure your superannuation is distributed as you wish, helping to avoid potential pitfalls and legal complications. This guide explores the key types of beneficiary nominations, offers considerations across life stages, and provides practical advice to help you make the best choice for your unique situation.

BEFORE YOU GET STARTED

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Understanding Beneficiary Nominations

Why Nominations Matter

Nominating beneficiaries for your superannuation allows you to direct where your super balance and any associated death benefits go if you pass away. Without a nomination, these benefits may not be distributed as you intended, which can be particularly challenging for family members or dependents who may be left out. By understanding how each type of nomination works, you can make choices that align with your financial and personal goals.

Overview of Key Nomination Types

1. **Binding Nominations:** Binding nominations offer certainty, directing the super fund trustee to pay your death benefit to specific beneficiaries. Within binding nominations, you can choose between:

- **Lapsing Binding Nominations:** These expire every three years and must be renewed. They require specific documentation, including witnessing, which ensures the nomination's validity.
- **Non-lapsing Binding Nominations:** Increasingly common, these don't expire, offering a "set and forget" option that can be suitable for stable, long-term relationships, such as a spouse or a financially dependent adult child.

2. **Non-binding Nominations:** Non-binding nominations offer flexibility by allowing trustees to use discretion, taking into account the nominated beneficiary along with other potential dependents. This option may be suitable if you want to provide guidance but allow flexibility for changing circumstances.

3. **Reversionary Beneficiaries:** Available for pensions, reversionary nominations ensure that your pension income stream continues to a nominated beneficiary, such as a spouse or minor child, rather than ceasing at your death. Reversionary nominations can benefit long-term retirement planning by delaying taxation and social security impacts on the recipient.

4. **No Nomination:** If you don't make a nomination, the super fund's trust deed dictates the recipient(s) of your death benefit. This may lead to undesirable outcomes, especially if your family dynamics are complex or if the default recipient isn't in line with your wishes.

on current family or financial situations but also on future changes. Here's a breakdown of how each stage of life might influence your nomination:

- **Young Professionals:** For those starting their career, a binding or non-binding nomination can be useful, as it's easy to update as circumstances change. Even without dependents, nominating a family member can ease the burden on loved ones if the unexpected happens.
- **Families and Dependents:** If you're supporting dependents, a binding nomination provides certainty for loved ones. You may also consider a reversionary nomination if you're drawing a pension, ensuring that your spouse or child continues to receive income.
- **Retirees:** As you approach retirement, your super becomes a crucial part of estate planning. Reversionary nominations or non-lapsing binding nominations are often ideal to ensure continuity of income and to minimise the need for updates.

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Special Circumstances

In some cases, such as blended families or dependent children from previous relationships, careful consideration is needed. Self-managed super funds (SMSFs) allow members more control over nominations, often offering clauses in trust deeds that tailor distribution based on personal situations. Understanding the options within your specific superannuation fund or SMSF can help accommodate these nuances.

Common Traps and Pitfalls

Lapsing vs. Non-Lapsing Nominations

One common issue with lapsing binding nominations is that they must be renewed every three years, which is easy to overlook. If not renewed, they may become invalid, leaving distribution to the trustee's discretion. This makes it essential to keep track of nomination expiry dates.

Legal Requirements

Binding nominations require specific documentation, such as witnessing by individuals over 18 who are not beneficiaries. Without these details, your nomination may be deemed invalid. Reviewing these requirements with your superannuation provider or a financial adviser can avoid complications later on.

Case Studies: Real-Life Examples

- **Chai's Story:** Chai, injured in an accident, made a binding nomination designating his father, who became his

Choosing the Right Nomination Type

Considerations Across Life Stages

Making the right nomination choice depends not only

primary carer, as the beneficiary. Due to complex family dynamics and lack of legal review, Chai's nomination could have been challenged, but the binding nomination prevented disputes and ensured his wishes were respected.

- **Charles' Case:** Charles nominated his de facto spouse and minor child in a binding nomination but also listed his sister, who was initially a dependent but later lost that status. Upon his death, the nomination became invalid, and the trustee's discretion led to a division of benefits that conflicted with his original intentions.

Keeping Your Nomination Up-to-Date

Life Changes That Affect Nominations

Significant life events like marriage, divorce, or the birth of a child often change how you want your super distributed. Regularly reviewing and updating your nominations can help reflect these changes accurately. Changes in financial status, dependents becoming financially independent, or a shift in your relationship status may also necessitate an update.

Practical Tips for Regular Reviews

- **Annual Review:** Make it a habit to review your nominations each year, or whenever there's a significant change in personal or family circumstances.
- **Seek Professional Advice:** Consulting a financial adviser can be invaluable in making sure your super nominations align with your estate planning goals, especially in complex situations like blended families or cross-jurisdictional concerns.

Conclusion

Choosing the right super beneficiary nomination is an important part of planning for the future. By understanding the types of nominations available, considering your personal circumstances, and regularly reviewing your nominations, you can ensure that your super will be distributed in line with your wishes. For added security, seeking advice from financial professionals can help ensure your super aligns with your broader estate plans and provides the peace of mind you and your loved ones deserve.



ECONOMIC SUCCESS OR SOCIAL STRAIN?

Unpacking Wealth Resilience and Social Impact in Modern Nations

BY WEALTH ADVISER

Introduction: The Dual Pursuit of Prosperity and Social Harmony

Economic resilience has long been considered the cornerstone of a nation's prosperity. However, achieving growth that benefits all levels of society requires a balanced consideration of both economic and social well-being. The articles from *Firstlinks*, “A Nobel Prize for Work on Why Nations Succeed and Fail” and “Immigration: Social Costs vs. Economic Benefits”, reveal that while wealth creation is essential for national strength, it can bring unanticipated strains to social structures. This duality underpins the ongoing challenge for policymakers aiming to craft resilient societies capable of sustaining prosperity without compromising social stability.

As discussed in the article on Nobel laureate Daron Acemoglu's work, economic resilience thrives when supported by robust institutions that foster innovation, protect individual rights, and provide a stable framework for economic activity. In Acemoglu's view, “Economically

resilient societies depend on institutions that enable growth without undermining social welfare”. This foundation, however, often clashes with the reality of growth-related social costs, especially in areas such as immigration. The second *Firstlinks* article notes that while immigration boosts GDP and supports labour markets, it can place undue pressure on housing, healthcare, and community services, leading to social friction. Ultimately, the question remains: how can a nation maintain economic success while preventing social strain?

This article will explore the factors that contribute to both national wealth and social resilience, discussing the strategies needed to strike a balance between prosperity and harmony.

Wealth Creation: Essential Ingredients for Sustainable Economic Success

Central to the resilience of economically successful nations is a stable foundation built on reliable institutions, secure property rights, and a culture of innovation. As the *Firstlinks* article on Acemoglu's work illustrates, “Countries

that protect property rights and maintain rule of law create environments where individuals and businesses are motivated to invest and innovate.” This statement underlines that institutional stability is not just a regulatory preference but a prerequisite for meaningful, long-term prosperity. Nations like Switzerland and Australia are often lauded for their high standards of transparency, judicial independence, and regulatory consistency, which provide a firm basis for economic activity and are less susceptible to political disruptions.

Acemoglu’s research draws clear distinctions between nations with strong institutional frameworks and those with weaker, more volatile structures. Countries with corrupt systems or frequent shifts in leadership often struggle to sustain growth, as their instability discourages foreign investment and innovation. Conversely, stable institutions encourage public trust and investment, leading to economic resilience and higher levels of social contentment. As the article explains, *“Trust in government and regulatory bodies is fundamental to economic success, creating an environment that supports long-term growth and wealth creation.”* The institutions in these stable countries serve as protective layers, reducing risks associated with economic downturns and enabling swifter recoveries.

The relevance of Acemoglu’s findings extends beyond economic metrics, highlighting the need for inclusivity within these institutional frameworks. Prosperous nations often exhibit a high level of social inclusivity and citizen participation, factors that increase the resilience of economic systems. Inclusive institutions promote equal access to opportunities, ensuring that growth benefits are widely distributed and helping to prevent disparities that could lead to social unrest. Thus, a sustainable economic model must integrate policies that consider both financial health and social equity, recognising that wealth without inclusivity is unlikely to foster lasting resilience.

Economic Growth and Immigration: Social Cohesion and Economic Benefits

Immigration plays a critical role in shaping both economic and social landscapes, with implications that extend into the fabric of national resilience. In *“Immigration: Social Costs vs. Economic Benefits”*, Firstlinks acknowledges the

dual nature of immigration, stating, “While immigrants contribute to economic growth, they can also strain social systems, including healthcare, education, and public housing.” This quote captures the paradox inherent in immigration policy: while immigration can enhance economic growth by supplying labour and boosting demand, it also introduces challenges that can test the limits of public infrastructure and community cohesion.

Immigrants’ contributions to labour markets are invaluable, especially in sectors facing shortages. From healthcare to agriculture, they fill essential roles, bolstering industries that may otherwise struggle to find adequate personnel. However, these economic gains come with social implications, as rapid population growth can create tensions within

communities. Housing demand often surges in areas with high immigration, leading to competition that drives up prices and makes home ownership less accessible for many. In Australia, this effect is particularly evident in major cities, where real estate markets face growing pressure. Additionally, public services such as healthcare and education may become overstretched, impacting the quality of service for all residents.

Balancing these economic benefits with social costs requires thoughtful immigration policies and strong social programs. Countries like Canada, for instance, have implemented integration policies that support both economic participation and social cohesion. By promoting language and cultural education, Canada has worked to address some of the challenges associated with immigration, seeking to bridge cultural gaps and encourage mutual understanding. As the *Firstlinks* article points

out, *“Policies that foster social cohesion alongside economic growth are essential for reducing friction within communities and ensuring long-term resilience.”* For Australia, policies that address both the economic and social dimensions of immigration could enhance national resilience by fostering inclusivity and reducing societal divides.

Striking a Balance: Policies for Managing Economic and Social Health

Sustaining economic growth without sacrificing social health is an intricate task that requires carefully balanced policy interventions. The articles emphasise that a resilient society is one that can address the social impacts of its

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economic decisions, adopting policies that manage both immediate and long-term consequences. For example, welfare programs, affordable housing, and accessible healthcare not only protect vulnerable populations but also reinforce the stability that allows economies to flourish. As Firstlinks asserts, “Policymakers must create a foundation for economic activity that also upholds social welfare, recognising that true resilience integrates both aspects.”

One area where this balance is crucial is in supporting communities that face particular pressures from economic policies, such as high-growth urban areas or regions heavily impacted by immigration. Ensuring that these communities have adequate resources to manage increased demands on public services, like housing and healthcare, can significantly reduce the social costs of economic expansion. In Australia, regional support programs designed to assist rural areas with immigrant integration exemplify the kinds of targeted policies that promote social harmony alongside economic growth.

At a national level, policies that address economic inequality can mitigate social strain and improve public trust in institutions. In societies where wealth is concentrated among a small elite, the resulting disparities can fuel resentment and even social unrest, undermining resilience. By implementing tax policies that promote equitable wealth distribution, governments can foster a more inclusive economy that reduces tensions and strengthens the social fabric. As observed in *Firstlinks*, “*Addressing economic inequality is not only a matter of fairness but also a strategy for enhancing national resilience by fostering a more unified society.*”

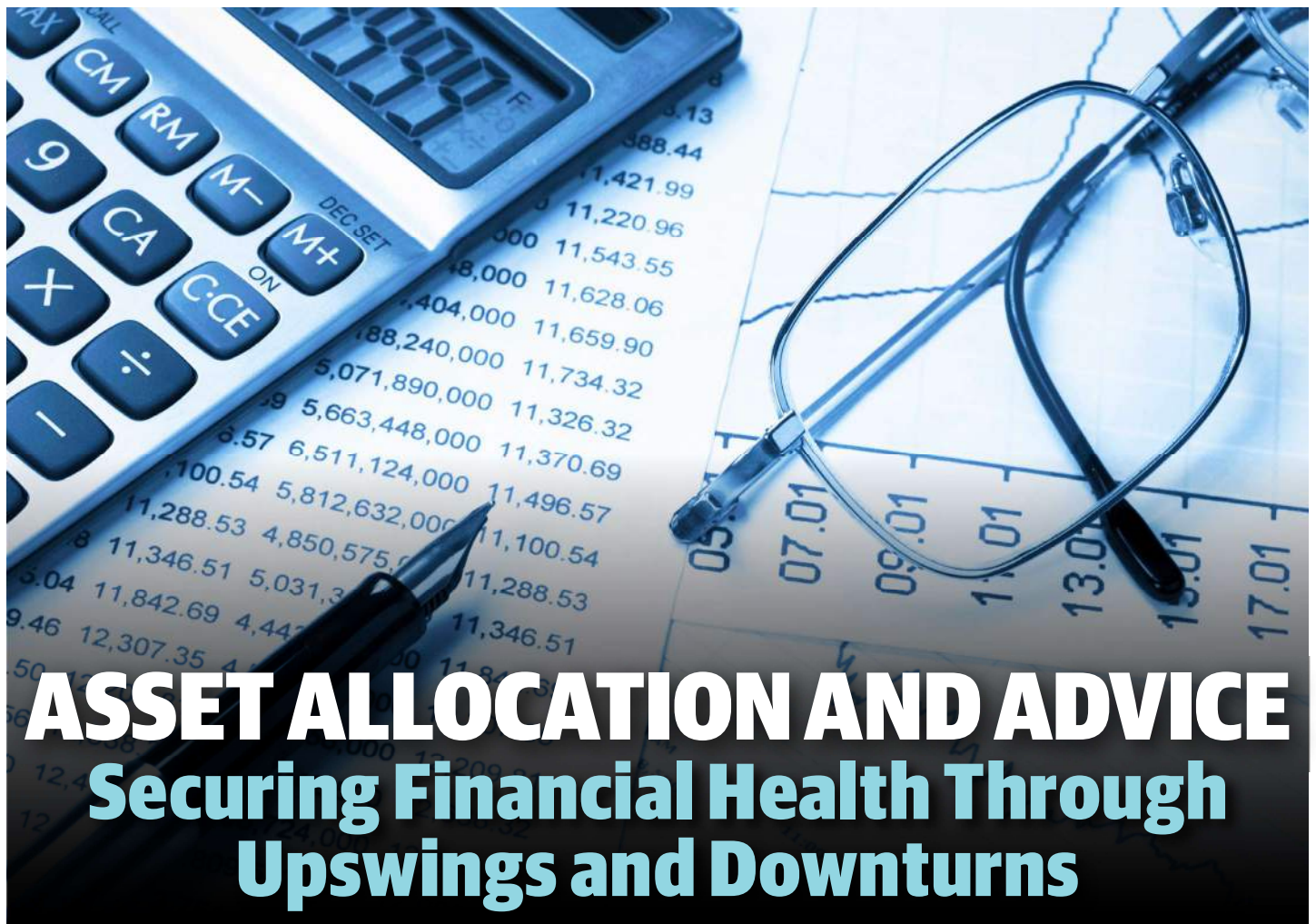
Conclusion: Building Resilient Nations through Balanced Growth

The pursuit of national success necessitates a balanced approach that considers both economic and social factors, understanding that resilience depends on harmonising these elements. While economic wealth is vital, it alone does not suffice for true national health; social welfare and cohesion are equally indispensable in fostering a resilient society. The insights from Firstlinks provide a clear directive: resilient nations are those that anticipate and manage the social impacts of economic growth, crafting policies that support both prosperity and stability.

To cultivate enduring resilience, countries must recognise that wealth creation and social harmony are interdependent. As the articles suggest, “A sustainable model for national success integrates economic policies with social welfare considerations, ensuring that both sectors support one another.” Only by embracing a comprehensive approach can nations hope to thrive in an increasingly complex and interconnected world, achieving a balance that sustains prosperity and nurtures social cohesion.

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ASSET ALLOCATION AND ADVICE

Securing Financial Health Through Upswings and Downturns

BY WEALTH ADVISER

Introduction: The Role of Financial Advice Across Economic Cycles

In a financial world shaped by both gains and losses, the value of financial advice cannot be overstated. While some consider professional advice essential only in times of market turbulence, expert guidance is equally crucial in times of prosperity. Financial advisers add value beyond investment selection, particularly through strategic asset allocation—a practice that balances long-term goals with risk tolerance. This nuanced approach becomes indispensable for those aiming to build and maintain wealth through both bull and bear markets.

According to Russell Investments, financial advisers offer much-needed support during both economic highs and lows. They note, “Regardless of market direction, advisers can provide immense value in helping investors stay committed to a disciplined approach, ensuring their investments remain aligned with their financial goals.” By stabilising asset allocation, advisers provide structure for investors who might otherwise be swayed by market fluctuations. In

doing so, they promote resilience and consistency, helping investors to withstand periods of volatility while optimising growth during prosperous times.

Why Asset Allocation Matters More Than Ever

The cornerstone of a sound investment strategy lies in asset allocation. This goes beyond merely selecting a mix of stocks, bonds, or cash—it involves tailoring portfolios to meet individual financial goals and adapting to life stages. Asset allocation is integral to managing risk while allowing for returns that align with long-term objectives. As the AdviserVoice article points out, “Research shows that asset allocation is the primary driver of portfolio performance, contributing far more to outcomes than individual stock or bond selections.”

Financial advisers enhance this process by continuously adjusting portfolios to suit the investor’s evolving needs. AdviserVoice highlights that “strategic asset allocation allows investors to stay balanced, especially during economic downturns or unexpected life events.” For instance, a young professional might prioritise equities to capitalise on growth, while someone nearing retirement might lean

towards income-generating assets. Advisers assess these needs and modify portfolios accordingly, ensuring the investor's holdings are structured to withstand both bull and bear markets.

Moreover, advisers employ rebalancing strategies to keep portfolios aligned with the client's risk tolerance. Russell Investments adds that "rebalancing not only prevents a portfolio from becoming overly aggressive but also creates an opportunity to lock in gains when markets are high." This practice protects clients from undue risk while positioning them to take advantage of positive market trends.

The Value of Advice in Building Financial Resilience During Downturns

Downturns can test even the most seasoned investors. The instinct to protect assets often leads to reactive decisions, like selling off equities during a dip, which can undermine long-term goals. Advisers play a crucial role in helping clients navigate these challenging periods by reinforcing a disciplined investment approach. As Russell Investments puts it, "An adviser's guidance can be invaluable in helping clients to avoid decisions based on fear or short-term market movements, keeping them focused on their long-term objectives."

In turbulent times, advisers often emphasise portfolio diversification and cautious reallocation to stabilise returns without sacrificing potential recovery. This disciplined approach helps clients avoid the pitfalls of market timing, a strategy that, as history shows, rarely leads to sustainable gains. Additionally, AdviserVoice points out that "financial resilience is not just about avoiding losses; it's about maintaining a steady approach even when markets fluctuate." Advisers work with clients to understand that, despite market volatility, the key to financial resilience lies in consistently aligned strategies that reflect individual goals and risk profiles.

During a downturn, advisers help clients stay focused on broader financial objectives. Instead of reacting to short-term market dips, clients are reminded of the advantages of staying invested. They may also explore "safe-haven" asset classes, such as bonds or dividend-paying stocks, to mitigate losses while staying on course. By continuously reinforcing the importance of resilience, advisers prevent clients from making panic-driven decisions that could erode their wealth.

Maximising Growth in Rising Markets Through Strategic Advice

When markets are on the upswing, the risk lies in overconfidence. Advisers help clients make the most of these opportunities by ensuring portfolios are diversified enough to capture growth without taking excessive risks. As the AdviserVoice article states, "Asset allocation should not shift

drastically in response to market conditions but should be fine-tuned to match growth opportunities while managing downside risks."

During times of economic growth, advisers carefully balance equities with fixed-income securities, ensuring portfolios benefit from upward trends without becoming too volatile. By setting realistic performance expectations, advisers help clients avoid over-optimism and the potential pitfalls of speculative investing. According to Russell Investments, "Advisers play a key role in tempering clients' expectations during rising markets, ensuring they don't overextend in response to market euphoria." This measured approach to growth enables clients to enjoy the advantages of a strong market while still safeguarding their financial health.

Strategic rebalancing during prosperous times is also crucial. Advisers may shift some assets from high-performing stocks to underrepresented areas within the portfolio, aligning with a client's original risk profile. For instance, gains from equity investments can be redirected into safer assets like bonds or cash equivalents, allowing clients to lock in profits without increasing overall risk. By helping clients maintain a diversified portfolio, advisers position them to capture long-term growth and avoid the dangers of an overheated market.

Conclusion: Long-Term Financial Health and the Ongoing Relevance of Advice

Ultimately, asset allocation and professional advice form the foundation of long-term financial health. Both elements are crucial across all economic cycles, offering investors stability, growth, and resilience in equal measure. Financial advice extends beyond technical strategies; it includes psychological coaching that helps clients maintain perspective and composure in both prosperous and challenging times.

As Russell Investments aptly concludes, "The value of an adviser is not solely in their ability to choose investments but in their role as a steadying force that helps clients achieve their financial goals through all market conditions." With a well-structured asset allocation plan and a disciplined approach, clients benefit from a partnership that prioritises sustainable wealth creation and preservation over impulsive gains. Regular adviser consultations keep portfolios aligned with both life changes and market realities, reinforcing the investor's path to long-term financial independence and generational wealth.

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Q&A = Ask a Question

Question 1:

What's the benefit of making extra contributions to my super, and how can I do it?

Making **extra contributions to your superannuation** can be a tax-effective way to boost your retirement savings if your marginal tax rate is higher than 15%. By adding to your super, you're taking advantage of compound growth, which helps grow your balance over time. One way to contribute is through salary sacrifice, where you direct a portion of your pre-tax salary to super, potentially reducing your taxable income. These contributions are taxed at 15% within super.

You can also make **after-tax (non-concessional) contributions** from your savings, which aren't taxed upon entry if you're within the contribution cap. This option can be ideal if you have funds outside of super that you'd like to allocate toward retirement. Regularly contributing extra to your super can make a significant difference to your retirement lifestyle.

As contributions caps apply, you should seek advice from your adviser can help you set a contribution strategy tailored to your retirement goals and tax situation.

Question 2:

I'm considering opening an investment account for my child. What should I be aware of?

Opening an investment account for a child can be a great way to kickstart their financial future. Some options include investing in shares, managed funds, or exchange-traded funds (ETFs) in your child's name or a trust account. However, there are a few considerations, such as **tax implications**. Investment earnings for minors are taxed at penalty tax rates of the highest marginal tax rate (47%) beyond the \$416 income threshold, so you may want to hold investments in a parent's name or use investment bonds which may be more tax efficient.

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You should also think about the **time horizon** for the investment. If the goal is to provide funds for education or a first home, choosing a diversified portfolio with a balance of growth and defensive assets might be appropriate. Investing for a child is a long-term strategy, so choosing the right vehicle and asset allocation can set them up well for the future.

You should consult your financial adviser can guide you through the various options and help you select the best approach for your child based on your goals and tax considerations.

Question 3:

What's the difference between holding insurance inside and outside of super, and what should I consider?

Holding **insurance inside superannuation**—such as life insurance, total and permanent disability (TPD), or income protection—can be convenient and make coverage affordable, as premiums are often deducted directly from your super balance rather than paid out of your own pocket. However, policies within super can have limited coverage options, and benefits may be taxed when paid out, especially if your beneficiaries are adult children or non-dependants.

On the other hand, holding **insurance outside of super** can offer greater flexibility in terms of policy features and cover amounts. For example, standalone income protection outside of super typically provides more comprehensive coverage, including longer benefit periods and higher monthly payout caps. However, these premiums are paid from your after-tax income, which may make it more costly than insurance inside super.

When deciding where to hold your insurance, consider your cash flow, the type of coverage you need, and tax implications. Your adviser can help you assess the best approach for your circumstances, balancing affordability with the level of protection you need.

If you have a question that you would like to see answered in **Wealth Adviser**, please send it through to centraladvice@wtfglimited.

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