

Defined Benefit Funds

Defined Benefit Funds use a formula based on a multiple of your final average salary to calculate the retirement payout.

The owner of the fund (ie the employer or the government) takes on the investment and longevity risk, and as a result, most have been closed to new members.

If you are wondering whether you should keep your defined benefit fund or move to an accumulation fund, there is no single answer for everyone. (Accumulation funds are the ones where you contribute money and the balance rises or falls depending on how your chosen investments perform.)

You need to look at your employment and personal circumstances. If you are looking to leave your job before retirement, you may be required to roll-over your accumulated entitlements to an accumulation fund. If you're likely to stay, you should also use our super calculators to see if you could reach the same retirement goal in an accumulation fund.

Any questions? Call 1800 046 166 or visit: www.moneysolutions.com.au

What is the difference between defined benefit and accumulation funds?

	Accumulation fund	Defined benefit fund
How is the value of the fund determined?	Super contributions <i>plus or minus</i> the return on the fund <i>less</i> any fees and tax	Calculated with a formula based on salary, age and years of fund membership
Investment choice	You can choose how your funds are invested within super	Your benefit is based on a formula and not affected by investment markets
Who carries the investment risk?	The member carries the investment risk. High investment returns increase the balance and negative investment returns reduce the balance	The fund carries the risk by guaranteeing the benefits. Benefits must be paid at the calculated level regardless of underlying investment performance
Fees	Fees vary from fund to fund	Very low or no fees
Transfer	Most funds accept transfers in and it is possible to move your super to another fund	Transfers of other funds into this super account are rarely accepted. If you move your money out of the fund, you may not be able go back in as most defined benefit funds are closed to new members

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