

Shadforth Portfolio Service works a little differently, learn more.

This flyer is to help you understand your new account in Shadforth Portfolio Service, arriving from 6 December 2021, and how it differs from your current account. We've highlighted some of the key differences with Shadforth Portfolio Service below.

Please ensure you read the enclosed letter and postcard as they also contain important information.

Flat dollar fees are calculated differently

There will be changes to how flat dollar administration fees are calculated and displayed. There is no change to the actual annual amount of the flat dollar fee, but the fee will be charged based on the precise **number of days** it spans rather than as a simple monthly fee (which ignores the number of days in the month). For example:

- 1 Currently, a \$180 pa flat dollar fee would show as \$15 per month.
- 2 In Shadforth Portfolio Service it would be \$15.29 for January and \$13.81 in February due to the different number of days in the month.

Your Cash Account just got better

Your Cash Account is used to process all cash transactions that occur within your account, such as buying or selling investments, receiving income distributions and deducting fees or charges. The Cash Account now gives you greater visibility so you can see what is being charged at any time.

Note that there is a requirement to maintain a minimum amount in your Cash Account. The percentage of the account balance, known as the product minimum, required to be kept in your Cash Account will **reduce from 3% to 1%** for pension accounts. There is no change to the 1% minimum for super and investment accounts.

If you have nominated a Cash Account minimum that is higher or lower than the default, this will remain in Shadforth Portfolio Service and will be confirmed in your welcome pack.

Transactions including buying or selling investments, partial withdrawals and other payments (including fees) may result in your Cash Account temporarily having a negative balance. A negative Cash Account balance will result in interest being charged to your Cash Account. Interest equal to the daily Cash Account interest rate will be charged for each day that your Cash Account has a negative balance.

How your money is invested and what happens when more cash is needed

Standing Instructions

A "Standing Instruction" is a service we provide where transactions you would like to make are automated instead of you having to initiate them each time.

Your available Standing Instructions include:

- 1 Deposit Instruction
- 2 Income Preferences
- 3 Cash Account top up

Here's how they work:

1. Deposit Instruction

Your Primary Instruction will now be known as your Deposit Instruction in Shadforth Portfolio Service. This tells us how you would like your deposits invested (less any Advice Fee – Upfront).

2. Income preferences

This tells us what you'd like us to do with income distributions paid from your investment options.

Shadforth Portfolio Service offers flexibility around how income from your investments to be treated, known as your Income Preference. By default, income is automatically credited to your

Cash Account and income from your managed investments is then re-invested back into the same managed investment that generated the income. If you prefer, you can choose to retain your income in your Cash Account or nominate an income instruction – percentage. For Investment accounts only, you may elect to have your income paid to your nominated bank account.

3. Cash Account top up

This tells us which investments to sell when we need to top up your Cash Account to meet the minimum requirements or to process a withdrawal request.

Currently if we determine that the balance in your Cash Account is likely to fall below zero within the next seven days, we will top up your Cash Account.

In Shadforth Portfolio Service, we will review the balance of your Cash Account at the end of each month. If the balance is zero or below, we will top it up to the lower of either the percentage allocated to the Cash Account or your nominated cap amount.

If you don't have an existing instruction, Shadforth Portfolio Service will use the default top up method of pro-rata, where funds are sold across all managed investments according to the proportion of the portfolio that they represent. If you prefer, we can top up from specified managed funds according to the order or percentage nominated by you.

Brokerage on listed investment trades

There will be changes to how brokerage is calculated. Currently brokerage of \$45.66 applies to each order to buy or sell a listed investment. In Shadforth Portfolio Service, brokerage is 0.205% of the gross value of each trade (or \$2.05 per \$1,000 trade, subject to a minimum of \$38.44). Brokerage is deducted from your Cash Account at the time of the transaction.

Please note, there is no change to brokerage within the Managed Portfolio Service. This remains at 0.11% of the value of the transaction, subject to a minimum of \$20.50.

Tax payments are now made monthly (super and pension)

Currently, taxes on earnings, capital gains and contributions are deducted annually from your account. Due to changes in the rules and regulations surrounding tax payments to the Australian Taxation Office (ATO), we are now required to make tax payments monthly. For transparency, in Shadforth Portfolio Service we will estimate and deduct the tax amounts monthly to match payments made to the ATO. These estimates are based on your contributions, income distributions and other taxable transactions for that month.

The annual tax process for Shadforth Portfolio Service will occur around October/November and will calculate the actual tax payable for previous financial year. While the monthly process is an estimate, the annual process will take into account the actual:

- income components of distributed income
- franking credits of distributed income
- capital gains and losses
- deductible expenses such as certain fees and insurance premiums
- tax deduction claims on personal contributions.

Then, where appropriate, your account will receive a credit or debit to adjust for the difference in the tax withheld each month and the final tax calculation.

If you have a retirement phase pension account, there's no tax payable on your investment earnings and no capital gains tax. This means you'll generally see tax credits rather than tax deductions.

For more information on Shadforth Portfolio Service please visit our website portfolio.sfg.com.au

You can contact ClientFirst on 1800 913 118 or email clientfirst@ioof.com.au

