

Defcredit First Home Saver Account

Product Disclosure Statement
Effective 16 August 2011

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The First Home Saver Account is a Government initiative to make it easier for you to save for your first home. As you can benefit from government contributions and earn interest taxed at a low rate, the account restricts when you can take your money out and for what purpose.

1. Who can have a First Home Saver Account

You should consider opening a First Home Saver Account if you:

- only want to use your savings to buy or build your first home in Australia to live in ('buy your first home'), and
- are able to save at least \$1,000 a year (\$20 a week) in four separate financial years – they do not need to be in a row.

A financial year is from July 1 to June 30.

To open an account, you must:

- be aged 18 or over and under 65
- have a tax file number
- have never owned a home in Australia that you have lived in, and
- have never opened a First Home Saver Account before.

You can open another First Home Saver Account if you are transferring your savings from one First Home Saver Account to another (see Section 8).

If you are saving with others, each person must open their own individual First Home Saver Accounts. Each of you can then receive the benefits of having a First Home Saver Account. You cannot open a joint account with someone else. If you are unsure about your eligibility go to **www.ato.gov.au**.

2. How the First Home Saver Account works

How you can use the savings in a First Home Saver Account

You can only withdraw your savings for four purposes:

1. to buy your first home
2. as money you can add into your super
3. as money you can withdraw as a lump sum if you are aged 60 or over
4. as money you can pay into a genuine mortgage.

How to save with a First Home Saver Account

You put money into your account the same way as you would make deposits into a normal bank account. You can do this at any time, and for as long as you need to save.

You cannot salary sacrifice into your account.

You do not need to put money in every year – but your account will only get Government contributions when you do.

Once the total amount in your account reaches \$85,000 – including Government contributions and income from investment earnings – you cannot put any more money into your account.

You can keep your account open until:

1. you buy your first home; or
2. you are eligible to pay the money into a genuine mortgage; or
3. you turn 65.

When you turn 65 you must close your account and withdraw all of your savings, or move it into super.

3. How the Government helps you save

The Government boosts your savings with contributions and a low rate of tax on the income your investment earns.

When you put money into your account, the Government puts money in too

- When you put a dollar into your account, the Government will contribute 17 cents.
- Any money you put in, up to a total of \$5,500 in a financial year, will get this Government contribution – anything over this amount will not.

For example, if you put \$5,500 into your account in one financial year, the Government will contribute \$935 to your savings.

If you are saving with other people that have their own First Home Saver Accounts, each person will receive Government contributions on the money they put into their account.

- Government contributions are paid directly into your First Home Saver Account after you have lodged your tax return and Defcredit has told the Tax Office how much you have put in.

You are not taxed:

- on the money you put into your account, or
- on the Government contributions, or
- when you withdraw your savings for your first home.

There is a low rate of tax on the interest your savings earn

- Earnings on First Home Saver Accounts are taxed at 15% but this is paid to the Tax Office by Defcredit.

4. How Defcredit helps you save

Your savings earn high interest

- The savings in your Defcredit First Home Saver Account earn a high variable interest rate, helping you to get your first home quicker.

See **defcredit.com.au**, call 1800 033 139 or drop in to your local Defcredit branch for our current interest rate.

Your savings will not go down

The Defcredit First Home Saver Account is a bank account – so what you put in, stays in. And, we don't charge any day-to-day fees which can also reduce your savings.

An example of how your savings can grow

If you save \$100 a week for four years, your savings could grow to around \$27,000, after Government contributions and interest.

This is a general example based on an account earning 5% interest (after tax and any fees) and may be different from the actual interest Defcredit pays.

To find out how much you need to save use the calculator at **moneySMART.gov.au/tools-and-resources/calculators-and-tools**.

5. What happens if your situation changes

Definitions

Four Year Rule

You must contribute at least \$1,000 per year into your account in at least four financial years (not necessarily in consecutive years) before you can withdraw the money to build or buy a home.

Minimum Qualifying Period

The exception is where you have built or purchased a home before meeting the Four Year Rule and have asked us to pay you the balance

of the account for your mortgage at the end of a Minimum Qualifying Period. Accounts must remain open for a Minimum Qualifying Period of four years. Any previous year where you contributed at least \$1,000 will be used towards the four year requirement.

You should consider the following situations before choosing this account.

a) You cease to meet the FHSA eligibility requirements

You will become ineligible to hold a first home saver account if you:

- turn 65. When you reach the age of 65, we must close your account. The funds can be paid to you, or if you don't advise us before you turn 65 years we will transfer the balance of your first home saver account into your super, or
- take ownership of a home before making the minimum contribution over four years and you don't advise us within 30 days. You must close your account and transfer the funds into your super.

b) You fail to make a contribution to the product

You do not need to put money into your account every year. You can choose to:

- start saving again when you can
- move your savings into super, or
- withdraw your savings as a lump sum if you are aged 60 or over.

However if there is no balance and no interest and your FHSA has been inactive for 2 years with a nil balance Defcredit will close your FHSA and notify you of same.

c) You need to take money out to alleviate financial hardship

Unlike ordinary savings accounts, you can't take money out of a first home saver account whenever you want, even if you are experiencing financial hardship. You can move your savings into super and you may apply to access your super under the early release provisions. These include severe financial hardship, permanent disability or on specified compassionate grounds.

d) You acquire a qualifying interest in a dwelling less than 4 years after acquiring your FHSA

You can use the savings in your account if you are buying your home with someone else who has put \$1,000 into their account in four separate financial years (refer to Section 6).

If this is not the case and you build or purchase a home before meeting a condition for release, you must choose whether to:

- have the balance of the account paid to you for your mortgage at the end of the Minimum Qualifying Period, or
- have the account closed and the balance paid to your super.

You must notify us of your decision within 30 days of building or purchasing the home. You are not permitted to make any further personal contributions from that date. Any outstanding government contributions and future account earnings can still be deposited into the account.

If you have built or purchased a home before meeting the Four Year Rule and have asked us to pay you the balance of the account at the end of a Minimum Qualifying Period then your account must remain open for a Minimum Qualifying Period of four years. Any previous years where you contributed at least \$1,000 will be used towards the four year requirement.

Once the Minimum Qualifying Period is met, you must apply to us to have the account closed and the balance paid to you for your mortgage.

e) You acquire a qualifying interest in a dwelling and you meet the minimum release conditions

Before you can access your funds you must meet a condition for release (Four Year Rule) and you must use the funds to buy or build your home. (refer to Section 6)

f) You cease to be a resident of Australia

You don't have to be an Australian resident or living in Australia to open or contribute to a first home saver account but your residency can affect how much the government contributes to your account. You must also live in the home you buy for at least six months (refer to Section 6).

g) You decide not to buy a first home

If this happens you can choose to:

- move your savings into super, or
- withdraw your savings as a lump sum if you are aged 60 or over.

6. Using your savings for your first home

You can close your account and withdraw the balance of your account to build or buy your home if one of the following applies:

- You contributed at least \$1,000 per year to your account in at least four financial years - the Four Year Rule
- Your account balance is equal to the account balance cap and you have held the account for at least four years
- You are building or purchasing a home with another first home saver account holder who is eligible to access their funds
- You built or bought your home before meeting the Four Year Rule but you have met your Minimum Qualifying Period. (see Section 5(d))
- You turn 60 years of age or over.

When you are ready to buy or build your first home, you can withdraw your funds and close your account. If you don't meet the Four Year Rule, you may be able to buy or build your home and then later withdraw your funds and close your account.

The home you buy or build must be your main residence for a continuous period of at least six months. The six month period must start within either of the following periods:

- 12 months of you becoming the owner of the home (which happens on settlement of the contract), or
- if the home is being built, within 12 months of the construction being completed - this is generally when the certificate of occupancy is issued.

7. The fees

We do not charge you any day-to-day fees on your account.

There are no general fees that apply to these types of account.

8. How to open an account

To open an account

1. Fill out the application form.
2. Make an initial deposit into your account.

You cannot open a joint account with someone else.

If you change your mind

We provide a cooling-off period that lets you close your First Home Saver Account within 14 days, with a refund of your deposit.

You will need to tell us in writing, by email or mail, within 14 days of opening the account.

We will then refund your deposit.

You can transfer your savings to another First Home Saver Account provider

If you do, we will transfer the savings in your account to your new provider, minus any costs. Your old account will be closed as soon as your savings have been transferred.

9. Where to go for more information

Defcredit enquiries

Phone 1800 033 139

Website defcredit.com.au

Mail PO Box 14537 Melbourne VIC 8001

First Home Saver Account enquiries

For more information about how First Home Saver Accounts work, eligibility, fees and taxes, and links to savings calculators and other useful online tools, visit www.ato.gov.au.

10. Important Information

You should read the below documents, which are available on request or at **defcredit.com.au**, before taking out any of our financial products or services:

- Defcredit Products and Services - Conditions of Use
- Fees and Charges Schedule
- Financial Services Guide
- Mutual Banking Code of Practice.

This Product Disclosure Statement is issued by:

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