

# Important changes to super and your account

As part of the 2018 Federal Budget, the Government proposed a number of reforms aimed at protecting super savings. The Protecting Your Superannuation Package is now law and commenced on 1 July 2019. We've outlined the key changes below and included additional information on other Federal budget initiatives regarding super contributions. We've also included specific changes affecting your super account.

## What is the Protecting Your Super package?

The Protecting Your Superannuation Package is designed to help protect and grow your super. It aims to ensure fees and insurance premiums in super aren't unnecessarily eroding your retirement savings. The changes include:

- a ban on exit fees
- a 3% cap on administration and investment-related fees for accounts under \$6,000
- changes to insurance cover within super
- the transfer of inactive accounts under \$6,000 to the Australian Tax Office (ATO).

## Fee caps and no exit fees

From 1 July 2019, if your super balance is below \$6,000 at the end of the financial year or at the time of exit, the total combined amount of administration fees, investment fees and indirect costs charged in the financial year is capped at 3% of your account balance. Any amount charged in excess of this cap will be refunded.

In addition, from 1 July 2019 exit fees will not be charged if you action a partial withdrawal, or if you close your super account. Exit fees are now banned from all super accounts.

### Example

John has a super account balance of \$1,000 as at 30 June 2020. John's super fund will only be able to charge a maximum of \$30 in administration and investment fees, including indirect costs, to his super account. Any amounts charged in excess of this, must be refunded to his super account by 30 September 2020. If John meets a condition of release and decides to withdraw his super, no exit fees will be charged.

### Changes to insurance cover in super

If your super account has insurance and the account remains 'inactive' for 16 months your insurance may be cancelled unless you tell us not to cancel it. An account is considered 'inactive' when there are no contributions or rollovers received.

If you're impacted by this change, we'll let you know before your account is considered 'inactive' and provide details of the insurance cover you hold through super and the choices available to you. You can check your insurance cover in the insurance section of your annual statement or by logging into your account online.

### Inactive low balance accounts transferred to the ATO

From 30 June 2019, we may be required to transfer your super account to the ATO if your account balance is below \$6,000 and your account hasn't received a contribution or rollover for 16 months or more. Generally, your super account won't be transferred to the ATO if in the last 16 months you've:

- made an investment switch
- made or amended a binding beneficiary nomination, or
- provided us with a written authority to notify the ATO that you're not a member of an inactive low-balance account and want your account to remain with us.

Additionally, your account will not be transferred to the ATO if:

- you have insurance attached to your super account
- you've met a prescribed condition of release, or
- your account is a pension account, including transition to retirement income streams.

### The 2018 Federal budget also announced other key changes to super

#### Work test exemption

Generally, if you're aged between 65 and 74 you need to meet a work test to make personal contributions to your super. The work test means you must be 'gainfully employed' for at least 40 hours in any 30 consecutive day period in the financial year in which the contribution is made.

From 1 July 2019, you'll receive an exemption from the work test if you met it in the previous financial year and your total super balance was less than \$300,000 at 30 June in that same year. This means, if you're over 65, you may be able to make additional contributions to super in the financial year after you retire.

The exemption can only be used once in your lifetime.

#### Example

Joan is age 67 and was working 3 days per week before retiring on 3 April 2019. Joan wants to make a personal contribution to her super in the 2019/20 financial year but she isn't working. As at 30 June 2019 her super balance was \$200,000. Joan can use the work test exemption to contribute to super.

#### Catch-up concessional contributions

If your total super balance is less than \$500,000 on 30 June of the previous financial year and you have not used your entire concessional contributions cap in any of the previous five financial years, you may be able to make additional concessional contributions above the standard cap (currently \$25,000) up to the value of your unused cap amount. Unused cap amounts can only be accrued from 1 July 2018. For more information refer to [www.ato.gov.au](http://www.ato.gov.au).

#### Example

Peter has a total super balance of \$325,000 on 30 June 2019. During the 2018/19 financial year Peter received a total of \$10,000 in concessional contributions to superannuation. Peter has accrued \$15,000 in unused concessional contributions. Therefore he may be able to contribute this unused concessional contribution of \$15,000, plus \$25,000 for the 2019/20 financial year, totalling \$40,000, without exceeding his concessional contribution cap.

## Other changes to your super account

### **Changes to your Cash Account**

From 1 July 2019, we're updating the name and description of your 'Cash Account' to 'Transaction Account', to more clearly explain it's transactional in nature and not intended to be used as an investment option.

### **Introduction of a minimum account balance following a withdrawal or rollover**

From 1 July 2019, if you request a partial withdrawal or rollover that would result in your account balance falling below \$10,000, we may need to assess your request. You may need to request a full withdrawal or a partial withdrawal that will leave at least \$10,000 in your account.

### **Managed fund fee rebates**

In some cases, a fund manager may provide a fee rebate to the Administrator where you are invested in certain managed funds through SuperWrap. Any applicable rebates will be passed on to you in full as a separate payment into your Transaction Account and/or by way of a reduction in the Account keeping fees deducted from your Transaction Account.

Where applicable, your entitlement to the rebate will be based on your holding of the relevant managed fund at the payment date of the rebate. However, where you instruct us to close your account prior to the processing by the Administrator of a rebate, you will not be entitled to that rebate. Please contact your adviser for further information regarding any fund manager rebates applicable to you.

## For more information

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### What you need to know

Information is current as at 30 June 2019. BT Funds Management Limited (ABN 63 002 916 458, AFSL 233724 ('Trustee') is the trustee and issuer of SuperWrap, a part of Retirement Wrap (ABN 39 827 542 991) and the issuer of this notice. BT Portfolio Services Limited (ABN 73 095 055 208, AFSL 233715) ('Administrator') administers SuperWrap. A Product Disclosure Statement (PDS) is available for SuperWrap and can be obtained from your financial adviser. You should obtain and carefully consider the PDS and other related disclosure documents before deciding whether to acquire, continue to hold or dispose of interests in SuperWrap. The information in this notice regarding legislative changes is intended as a guide only, it is not exhaustive and does not constitute legal advice. It is based on our interpretation of the law currently in force on the date of this notification. Consequently, it should not be relied upon as a complete statement of all relevant laws, the application of which may vary, depending on your particular circumstances. The information in this notice also does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of the information having regard to these factors and, where appropriate, consult your adviser or obtain other independent professional advice before acting on this information. The Trustee and Administrator are subsidiaries of Westpac Banking Corporation ABN 33 007 457 141 (Westpac). Apart from any interest investors may have in underlying bank accounts held at Westpac through a SuperWrap Transaction Account or Westpac securities acquired through SuperWrap, an investment in, or acquired using, SuperWrap is not an investment in, deposit with or any other liability of Westpac or any other company in the Westpac Group. These investments are subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested. Westpac and its related entities do not stand behind or otherwise guarantee the capital value or investment performance of any investments in, or acquired through, SuperWrap.