

Budget 2018 – super update

Below is a recap of the Budget's key proposals that relate to superannuation. Please note these proposals, most of which would apply from 1 July 2019, have not been legislated yet and both Houses of Parliament need to pass legislation before it takes effect.

Super changes

- To protect those with lower super balances, a 3% annual cap on administration and investment fees will be introduced for accounts with balances of \$6,000 or less. In addition, exit fees will no longer be charged on any super accounts.
- Members will need to opt-in to continuing insurance in their super if they are:
 - Under 25
 - Have a super balance below \$6,000
 - Have an account that hasn't received a contribution for 13 months or more which is considered to be "inactive".

Members will have 14 months to opt-in to insurance before it is switched off.

- Inactive super accounts with less than \$6,000 will automatically be transferred to the Australian Tax Office (ATO). The ATO will proactively consolidate inactive super accounts and transfer these funds to a member's current fund, where possible.
- A one year exemption from the work test will be introduced for voluntary contributions to super for people aged 65-74 and super balances below \$300,000. This is intended to give retirees flexibility in the transition after work.
- Individuals who earn over \$263,157 and have multiple employers will be able to nominate that their wages from certain employers are not subject to the Superannuation Guarantee (SG) from 1 July 2018. This will allow eligible individuals to avoid unintentionally breaching the concessional contributions cap as a result of receiving SG contributions from multiple employers.

Pension changes

- If you are receiving the age pension, the Work Bonus will increase from \$250 to \$300 per fortnight. This means that the first \$300 of income from work each fortnight will not count towards the pension income test. Eligibility will also be extended to the self-employed. There will be a 'personal exertion' test to ensure it only applies to actual engagement in gainful work. The Work Bonus would not apply to income associated with returns on financial or real estate investments.
- If you are of aged pension age and own your home, you will be able to use the value of your house to increase your retirement income by taking out a government-issued reverse mortgage on your property. This proposal would allow pensioners to be able to support their income by up to \$11,799

(singles) or \$17,787 (couples) each year by unlocking the equity in their home.

To find out more

To find out more about the 2018 Federal Budget, please visit www.budget.gov.au.

If you are concerned about how these changes might affect you, we recommend you speak with a financial adviser.

This information is current as at 15 May 2018.

This information is of a general nature and is not intended to provide you with financial advice or take into account your personal objectives, financial situation or needs. Before acting on the information, consider its appropriateness to your circumstances and read the Financial Services Guide, Product Disclosure Statement (PDS), Additional Information Booklet and Insurance Guide available at australianethical.com.au/super/pds. You may wish to seek independent financial advice from a licensed financial adviser or tax adviser before making any decisions.