

2018 Federal Budget update

Here are some of the Government's proposals from the 2018 Federal Budget. They must be passed by Parliament before they can commence.

Actions to protect small super accounts

The Government proposed changes to apply from 1 July 2019 to protect small accounts from erosion by fees, including those for insurance.

- Super funds will be banned from charging exit fees (that is a fee to recover the costs when you withdraw or transfer money out of the fund).
- There will be a 3% annual cap on administration and investment fees charged by super funds on accounts with balances below \$6,000.
- Some people will have to opt in to insurance cover instead of it being provided automatically. This is proposed to apply if you:
 - have a balance of less than \$6,000; or
 - are under age 25; or
 - are classified as "inactive". This will be where there have been no contributions or rollovers into your account for 13 months.
- Inactive accounts with balances below \$6,000 will be automatically transferred to the ATO, which will have greater powers to consolidate this money into your active superannuation account.

The small accounts proposals, other than the ban on exit fees, will not apply to defined benefit members. If the proposals become law, the trustee of your fund will provide further information about how the changes will apply to members.

Steps to enhance options for retirees

Some of the proposed initiatives to improve retirement policy are outlined below.

- Funds will be required to develop a strategy to help members achieve their retirement income objectives and to offer products which provide income for life.
- There will be a new approach to how retirement income products are disclosed, to simplify and standardise the information.
- There are also proposed new rules around how certain lifetime income products will be means tested for the Age Pension.
- The Pension Loans Scheme will be expanded to cover everyone over Age Pension age. The maximum combined Age Pension and Pension Loans Scheme income stream will be increased to 150% of the Age Pension rate. This will enable eligible individuals to use the equity in their home to increase their income.

Other changes

- An additional measure being considered will assist high-income individuals (income over \$263,157) with multiple employers to avoid unintentional breaches of the concessional contribution caps as a result of multiple SG contributions.
- An exemption will be introduced from the work test for voluntary contributions to superannuation for individuals aged 65 to 74 with superannuation balances below \$300,000. The exemption will only be available in the first year they do not meet the work test.
- The increase in the Medicare Levy from 2.0% to 2.5% has been abandoned.

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