Federal Budget 2018

Proposed changes that may affect you.

The government released their 2018/19 Federal Budget on Tuesday 8 May 2018 which included a number of proposed measures for superannuation. We've put together the following summary of these proposed changes so you can understand any implications and how you could be affected if they pass legislation.

It's important to know that these changes have not yet been made law. Before you make any decisions regarding your super, you'll need to know whether any of these proposals have become law. We'll be sure to keep you updated.

Super changes for working people

Putting a limit on fees on your super account

An annual cap of 3% on administration and investment fees is proposed to be introduced for accounts with balances below $6,000 from 1 July 2019.

As a profit-for-member fund, we actively seek to keep our fees as low as possible. This is particularly important for members who have low account balances. We're continually working on ways to reduce our fees in the future and we'll comply with any legislative requirements.

Removal of exit fees

The government is proposing a ban on all exit fees charged to member accounts from 1 July 2019.

We fully support the removal of any excessive or unnecessary fees charged to our members. Fees should only be applied when they're appropriate in the management of your account, and the activities undertaken in doing so. This ensures a fair and sustainable approach that benefits all our members. Again, we'll comply with any legislative requirements.

Removing insurance cover for certain members

From 1 July 2019, the government plans to remove default life insurance cover within super for people under 25. Young members will be required to actively 'opt in' for insurance cover they previously would've received automatically. Insurance cover will also be an 'opt in' component of super for any member, regardless of age, with accounts that have a low balance (less than $6,000) or are deemed 'inactive' (where a contribution has not been received for 13 months). If these members do not actively choose to keep their insurance cover, the cover will need to be removed from their account.

We support the notion that insurance cover that is considered unnecessary or that is costly should be regularly reassessed. However, the government's blanket approach to removing insurance cover based on age, balance or the level of account inactivity will potentially have unintended consequences.

For many members, insurance through their super account is the only safety net they have to protect themselves and their loved ones in the event something unfortunate occurs. This is especially important for our members, many of whom work in higher-risk occupations and workplaces. Access to insurance through your super may be the only possible and affordable way for you to have protection.

You should actively review the insurance cover provided through your super account and determine if the cost and level of cover offered is right for you.

Transferring accounts deemed 'inactive' to the ATO

From 1 July 2019, it's proposed that all super accounts with balances below $6,000 that have not received a contribution for 13 months will be classified as 'inactive' and transferred to the Australian Taxation Office (ATO). The ATO will attempt to transfer the funds into that person's active super account. If no account is found, the ATO will hold this money, earning a low rate of interest.

While we support the idea that members should have access to all of their super entitlements, we're concerned that many of our members have varied, infrequent or irregular work patterns that create periods of so called 'inactivity'. If the money was held with the ATO for a period of time, it would likely have a much lower rate of interest than the long-term investment returns achieved by our fund, or any other well-governed fund.

You should be aware of where all your super accounts are, and look to make an active decision to continue those you'd like to keep.

Fewer restrictions in meeting the work test exemption

From 1 July 2019, the conditions for allowing contributions for people between 65 and 74 will be expanded for a limited time. Those with a super balance below $300,000 will be allowed to make voluntary contributions for the first year that they no longer meet the work test requirements. Existing annual concessional and non-concessional caps ($25,000 and $100,000 respectively) will continue to apply to contributions made under the work test exemption.

We support any measure that allows members to better prepare for financial dignity in retirement. You should consider whether you're able to make additional contributions before you reach retirement.

Changes for people in retirement

The following proposals may affect members already in retirement. We support any measure that allows members to have greater financial dignity in retirement.

Expanding the Pension Work Bonus Scheme

The Pension Work Bonus allows pensioners to earn up to $250 each fortnight without reducing their Age Pension payments. It's proposed that from 1 July 2019, the Work Bonus be increased to $300 per fortnight ($1,300 a year). It will also be extended to the self-employed who'll be able to earn up to $7,800 a year without reducing their pension payments.

You should consider whether you may be able to take advantage of the increased Pension Work Bonus.

Expanding the Pensions Loan Scheme

The Pensions Loan Scheme is a reverse-mortgage style scheme that enables retirees to release equity in their home to boost their retirement income. It's currently only available to retirees who are eligible for a part Age Pension.

The government proposes to extend the scheme to all retirees from 1 July 2019, which will enable everyone over pension age to boost their retirement income by up to $17,800 per couple without losing the Age Pension or other benefits.

You should consider whether the Pension Loan Scheme may be a suitable option for you.

Greater access to aged care

An additional 14,000 high-level home care support packages will be introduced over the next four years, allowing Australians to stay in their own homes longer.

Other changes that may affect you

We endorse any tax changes that would make the working Australian better off, particularly as the historically low levels of wage growth affects many of our members. However, given the final tax changes won't be delivered until 2024, and the uncertainty beyond the next election of the changes actually coming to pass, we believe having the changes implemented sooner would have been a better outcome.

Low income tax offset

From 1 July 2019, the government will introduce a low-income tax offset (LITO) in which those who earn up to $37,000 will see their tax bill reduce by $200. The offset increases incrementally for those earning between $37,000 and $48,000, before the maximum offset of $530 is applied to those earning between $48,000 and $90,000. The benefit then gradually decreases to zero at a taxable income of about $125,000.

No increase to the Medicare levy

The proposal from last year's Budget to increase the Medicare levy from 2% to 2.5% will not proceed.

Cash payment limits

From 1 July 2019, the government proposes to introduce a limit of $10,000 for cash payments made to businesses for goods and services in an effort to curb payments they believe are falling outside the tax system.

Income tax changes

The government is proposing a number of changes to income tax, with amendments to almost every threshold in the current tax brackets over a number of years. These proposed changes are summarised in the table below:

Income tax rate (%)	Current tax thresholds Income range ($)	New tax thresholds from 1 July 2018 Income range ($)	New tax thresholds from 1 July 2022 Income range ($)	New tax thresholds from 1 July 2024 Income range ($)
Tax-free	0 – 18,200	0 – 18,200	0 – 18,200	0 – 18,200
19	18,201 – 37,000	18,201 – 37,000	18,201 – 41,000	18,201 – 41,000
32.5	37,001 – 87,000	37,001 – 90,000	41,001 – 120,000	41,001 – 200,000
37	87,001 – 180,000	90,001 – 180,000	120,001 – 180,000	–
45	> 180,000	> 180,000	> 180,000	> 200,000

How can we help?

While these Federal Budget changes are yet to be implemented, we can help you now with making contributions, consolidating your super, changing your insurance cover or other matters regarding your super or pension. Call our friendly in-house contact centre on **1300 130 780**.

More Information

Visit budget.gov.au if you'd like to know more about the 2018/19 Federal Budget.

Contact us

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