

# Product update – Federal Budget 2019

2 April 2019

On 2 April 2019, the Government announced the 2019 Federal Budget. With this year's budget announcements, the Government has announced measures under the 'Putting Members' Interests First' bill as an extension to the Protecting You Super package passed in February 2019. The government also announced a number of measures as a response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry which concluded late last year, the final report of which was published in February 2019.

The below important changes are proposed and are subject to being implemented by legislation.

## 1. Contributions work test: exemption for those aged 65 and 66

Currently the Work Test Exemption enables customers aged 65 and 74 years of age to make voluntary superannuation contributions into Living Super from 2019-20 Financial Year and later, if they satisfy the following:

- (a) The individual had been working at least part-time during the previous financial year (i.e. minimum of 40 hours in any 30 consecutive day period in that financial year) and is retired in the current financial year;
- (b) The individual wants to make voluntary contributions to the superannuation account in the current financial year but as they have retired, no longer met the Work Test;
- (c) The individual did not have a Total Superannuation Balance of more than \$300,000 as at the end of the previous financial year; and
- (d) No regulated superannuation fund or retirement savings account institution has ever received voluntary contributions for this individual under the Work Test Exemption.

In these cases, the individual will qualify under the Work Test Exemption and be able to make additional voluntary superannuation contributions to their Living Super. Note - Existing contribution cap and bring forward rules will continue to apply.

- For individuals aged between 65 and 69, the voluntary contributions under the Work Test Exemption can be made by the individual or other people on their behalf, like a spouse;
- For individuals aged 70 to 74, the voluntary contributions under Work Test Exemption is limited to contributions made by the individual only.

In the 2019/20 Federal Budget, the Government announce its intention to proposed further changes to the work test exemption for the 2020/21 Financial Year for customers aged 65 to 66 years of age to make voluntary contributions, both concessional and non-concessional, to superannuation without meeting the Work Test. Note - These proposed further changes have not been legislated yet.

### What does this mean for you?

For the further proposed changes announced in the 2019/20 Federal Budget, if they are legislated, then from 1 July 2020, where you are aged between 65 and 66, you could be exempt from meeting the Work Test before making the voluntary contributions. You should speak to a financial adviser to understand how this could impact you.

## 2. Spouse contributions: eligibility extended to 74

Currently, if you are aged between 65 and 69 years, you can make voluntary contributions to your spouse's superannuation account on the condition you met the Work Test before the contribution is made.

In the 2019/20 Federal Budget, the Government has proposed to increase the maximum age that you can make spouse contributions to 74. If legislated, the Government had proposed that this change would commence from the 2019/20 Financial Year.

### What does this mean for you?

If these changes are legislated, this could mean that you can make voluntary contributions into your spouse's superannuation account for an additional 5 years without meeting the Work Test. You should speak to a financial adviser to understand how this could impact you.

The above are some of the key highlights of the 2019/2020 Federal Budget announcements that impact superannuation. Further information about the Federal Budget announcements can be found at [www.budget.gov.au](http://www.budget.gov.au)

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