Product update

Living Super changes

Preparation date: 30 June 2022

Retirement Income Covenant

On 10 February 2022, legislation was passed to amend the Superannuation Industry (Supervision) Act 1993 (SIS Act), requiring all APRA-regulated trustees to comply with the Retirement Income Covenant ('the Covenant').

As trustee of Living Super, the Covenant requires Diversa Trustees Limited ("Diversa") to formulate, review and give effect to a retirement income strategy for members approaching retirement and those who are retired. The strategy must give consideration to the retirement income needs of members and consider Living Super's capacity and capability to service those needs. This means considering the retirement or pension products available to members and other types of support available to help you plan for retirement.

Just how we do this is summarised in the Living Super **Retirement Income Strategy** available on our website.

While the Retirement Income Strategy defines how the Living Super will assist members to prepare for and consider their needs for retirement, the Fund's Trustee, Diversa, has also produced a range of guidance that is available on their website via their Wellness Hub located at diversa.com.au/resources. These resources include:

- factual information about key retirement topics, such as eligibility for the Age Pension or aged care or the different types of income streams available; and
- calculators which provide forecasts to beneficiaries during the accumulation phase about potential income in retirement through superannuation calculators or retirement estimates.

If you have any questions about planning for retirement, please check out the Retirement Income Strategy on our website or contact us on 133 464 from 8am-8pm, Monday to Friday (Sydney time), or speak with your financial adviser.

Treasury Laws Amendment (Enhancing Superannuation Outcomes For Australians and Helping Australian Businesses Invest) Bill 2021

The *Treasury Laws Amendment (Enhancing Superannuation Outcomes For Australians and Helping Australian Businesses Invest) Bill 2021* has passed through Parliament. We describe below the changes in this Bill relevant to superannuation, which could affect you.

Removal of the monthly minimum threshold for salary or wages to count towards the superannuation guarantee.

Current monthly minimum income threshold for compulsory superannuation guarantee:

The Superannuation Guarantee scheme ensures employers pay a minimum level of superannuation contributions on behalf of their employees.

Prior to 1 July 2022, employers were required to make compulsory superannuation guarantee payments (i.e. employer compulsory concessional contributions) to employees where their income is $450 or more each month. Where an employee is earning less than $450 in a calendar month, the employer does not need to pay the compulsory superannuation guarantee payments for that person.

Removal of the monthly minimum income threshold for compulsory superannuation guarantee:

From 1 July 2022, this minimum income threshold of $450-a-month for payment of superannuation guarantee payments will be removed. The removal of the $450-a-month income threshold will expand the coverage of the superannuation guarantee payments to eligible employees earning salary or wages of less than $450 per calendar month from a single employer.

This means employers will be required to make the compulsory superannuation guarantee payments on behalf of all employees 18 or over, regardless of the amount of salary or wages they are paid in a month.

Please refer to the Australian Tax Office (ATO) website for more information, including any exemptions that may apply, at www.ato.gov.au.

First Home Super Saver (FHSS) scheme maximum releasable amount

Current maximum contribution cap and release under FHSS scheme:

The FHSS scheme was designed to allow individuals to save money for a first home faster than would otherwise be possible by allowing them to make voluntary concessional and non-concessional contributions to their superannuation. In turn, these contributions and associated earnings are concessionally taxed at the time of withdrawal to pay for the purchase or construction of their first home.

Prior to 1 July 2022, the maximum eligible contributions into super over multiple financial years and the subsequent FHSS release was capped at $30,000. The maximum eligible contributions for saving under the FHSS in any one financial year is capped at $15,000.

The FHSS scheme as currently described on page 6 of the Living Super Product Guide is stated below:

> "Voluntary *Contributions* (concessional and non-concessional) can be made into super for the purpose of saving for a deposit to purchase *your* first home. There is an annual limit of voluntary *contributions* that can count towards the FHSS of $15,000 and a lifetime cap of $30,000"

Change to the maximum FHSS amount that can be released:

From 1 July 2022, the maximum amount of voluntary contributions and associated earnings that can be withdrawn under the FHSS scheme will be increased from $30,000 to $50,000. Note this change applies where the ATO receives the request after 1 July 2022.

The amount of eligible contributions that can count towards your FHSS scheme in any one financial year will remain capped at $15,000.

Please refer to the ATO website for more information www.ato.gov.au.

Minimum eligible age to make downsizer contributions

Current age requirement to make a downsizer contribution:

Downsizer contributions allow individuals, who may be otherwise prevented from making contributions into their superannuation due to their age or contribution cap restriction, to make a superannuation contribution with proceeds from the sale of their home.

Prior to 1 July2022, members aged 65 or older are able to make a one-off, post tax contribution to their superannuation of up to $300,000 per person ($600,000 per couple) where the funds are derived from the sale of an Australian principle place of residence they have held for a minimum of 10 years.

Section 3 of the Living Super Product Guide "How super works" (page 6) refers to the current minimum age for downsizer contributions:

> "You must be at least 65 years old when the contribution is made."

Reducing the minimum eligible age to make a downsizer contribution:

From 1 July 2022, the eligibility age for downsizer contributions will be lowered from 65 to 60 years of age. This means individuals aged 60 to 64 years old who were not previously eligible to make downsizer contributions due to their age would now be able to do so from 1 July 2022.

As such the downsizer contribution information in the Living Super Product Guide will apply to members aged from 60 years or over and provided all other downsizer contribution criteria is met.

Please refer to the ATO website for more information www.ato.gov.au.

Changes to the work test for voluntary superannuation contributions and the 'bring forward' non-concessional contributions cap

Current work test for voluntary superannuation contributions:

Currently, if you are aged 67 to 74 years old you can only make or receive voluntary contributions (both concessional and non-concessional) to your superannuation if you meet the work test. That is, you must work at least 40 hours over a 30-day period in the relevant financial year.

On page 5 of the Living Super Product Guide under "Summary of age restriction on *contribution* types", a work test declaration is currently required for personal superannuation contributions (both concessional contributions and non-concessional contributions):

> "If you are aged between 67 and 74 (inclusive) on 1 July and are not eligible for the work test exemption, you will need to complete a work test declaration each financial year before making personal *contributions*.
>
> The *contributions* that can be made to your account are usually split into two types:
>
> - concessional *contributions*; and
> - non-concessional *contributions*."

Change to the work test:

From 1 July 2022, all individuals younger than 75 years are now be allowed to make or receive non concessional contributions and salary sacrifice contributions without meeting the work test. However, individuals aged between 67–74 will still have to meet the work test to make personal deductible contributions. The ATO will now check if those aged between 67 to 74 meet the work test and are able to claim the personal superannuation deduction in their income tax return. There is no change to the existing process for lodging the notice of intent to claim or vary a personal superannuation deduction.

Current bring forward Rule:

The bring forward rule allows eligible individuals to make up to three years of non-concessional contributions to the superannuation within one financial year.

Prior to 1 July 2022, individuals under 67 years at any time in a financial year may be able to make non-concessional contributions of up to three times the annual non-concessional contribution cap in that financial year. The amount of non-concessional contributions that can be made under the bring forward rule will depend on what the individual's total superannuation balance is (as at 30 June the year prior to making the contributions under the bring forward rule) and is subject to the general transfer cap.

On page 5 of the Living Super Product Guide under "Non-concessional contribution cap", states:

> "If you are currently under age 67, you may be eligible to "bring forward up to 3 years of non-concessional contributions. However, this is limited to:
>
> - 2 years of non-concessional contributions if your total super balance is $1.48million to less than $1.59 million;
> - 1 year of non-concessional contributions if your total super balance is between $1.59 million to less than $1.7 million;
> - No non-concessional contributions if your total super balance is $1.7 million or more.
>
> The total super balances which dictates the utilisation of the bring forward rule is generally indexed each financial year."

Change to the "bring forward" rule

From 1 July 2022, the cut off age for accessing the "bring forward" rule has now been increased from under age 67 to under age 75 years. This means individuals who are under 75 years of age at any time in a financial year may be able to make non-concessional contributions of up to three times the annual non-concessional cap in that financial year. For individuals 75 years or older, the superannuation fund can only accept eligible employer contributions and downsizer contributions.

These rules are complex, so please refer to the ATO website for more information www.ato.gov.au.

Here to help

If you have any questions, we're here for you on **133 464**, Monday to Friday, 8am–8pm (AEST/AEDT).

Alternatively, you can speak with your financial adviser.