Removing compulsory life insurance from the super accounts of young people and reuniting many Australians with their lost or inactive super accounts were among the key superannuation measures announced in the 2018/19 Federal Budget.

For retirees, the focus was on helping both pensioners Government expanding the Pension Work Scheme and allowing more people to access Centrelink's Pension Loans (home equity release) Scheme.

Importantly, last night's Budget did **not** contain any major changes to the way superannuation is taxed or any changes to the concessional or non-concessional cap limits on voluntary contributions.

The timetable to increase the Superannuation Guarantee rate to 12% was also left untouched, with the next increase from 9.5 per cent to 10 per cent scheduled to occur in 2021.

Below is a summary of the key changes. You can also click this link to a fact sheet released by the Government.

SNAPSHOT OF MEASURES

- **Opt in life insurance for Under 25s, inactive and low balance accounts**
- **ATO to actively reunite members with their lost or inactive super accounts**
- **Expansion of Pensions Loans (home equity) Scheme**
- **Expansion of Pension Work Bonus**
- **Removal of exit fees on all super accounts**
- **3% fee cap on low balance accounts**
- **New Age Pension means testing for retirement income streams with annuities.**

FOR SUPER MEMBERS

Opt in insurance for young and low super balance members

The Government is proposing to abolish default life insurance cover within superannuation for certain groups. Under the proposal, insurance in super will only be able to be offered on an opt-in basis for:

- members with low balances of less than $6,000;
- members under the age of 25 years; and
- members whose accounts have not received a contribution in 13 months and are inactive.

Importantly, members will still have the opportunity to obtain insurance cover if they choose to do so.

Reuniting your lost or inactive superannuation

In a bid to prevent people with multiple super accounts from having their savings excessively eroded by fees, the Australian Taxation (ATO) Office has been given the power to actively reunite Australians with their lost and inactive superannuation.

Under the proposals, all super accounts that have not received a contribution for 13 months, with balances below $6,000, will be classified as inactive and transferred to the ATO. These are typically accounts belonging to young members, low income earners and seasonal workers.
The ATO will then use data matching to automatically combine these accounts with members' active super accounts.

The Government expects the new system will reunite $6 billion of superannuation with to 3 million members' active accounts in 2019-20.

Removal of exit fees and new fee caps

The Government has proposed two new measures to tackle the impact of superannuation fees on member balances and make it easier for members to consolidate their accounts. It will abolish super fund exit fees and cap certain fees on balances of less than $6000 at 3 per cent. The Government has estimated the fee cap on low balances will return $570 million to super fund members.

High income earners with multiple employers protected from super contribution breaches

High-income earners with multiple employers will be protected from inadvertently breaching the annual super contributions limits. People who earn more than $263,157 a year from multiple employers will be allowed to make wages from certain companies exempt from the Super Guarantee. Under current rules, individuals earning more than this amount from multiple sources face a tax bill if they contribute more than the annual $25,000 limit.

FOR RETIREES

▶ Expansion of Pensions Loans Scheme

The Pension Loans Scheme is a reverse-mortgage style scheme that enables retirees to release equity in their home to boost their retirement income. The Scheme – administered by Centrelink – is currently only open to retirees who are eligible for a part Age Pension and is not widely used.

The Government has proposed extending the Scheme to all retirees, including full rate Age Pensioners and self-funded retirees. Full pensioners will be able to increase their income by up to 50 per cent of the Age Pension. This will enable single retirees who own their own home to boost their income by up to $11,799 and couples to boost their retirement income by up to $17,800 without impacting their eligibility for the Age Pension or other benefits.
See the Government fact sheet

▶ Expansion of Pension Work Bonus

The Pension Work Bonus allows pensioners to earn up to $250 each fortnight without reducing their Age Pension. It will be expanded to allow pensioners to earn an extra $50 a fortnight ($1,300 a year) without reducing their pension payments.

The Pension Work Bonus will also be expanded to self-employed people who will be able to earn up to $7,800 a year, without reducing their pension payments. The Government expects 88,000 people to take up the option to work more as a result of these changes.
See the Government fact sheet

▶ Work test exemption

From 1 July 2019 the Government proposes an exemption from the work test for voluntary contributions to superannuation. This is available for the retirees in the first financial year that they do not meet the work test. They must be:

- aged 65-74
- have a superannuation balance below $300,000

The exemption will be available for 12 months from the end of the financial year in which they last met the work test. The work test currently requires individuals who are 65-74 to have worked at least 40 hours within 30 consecutive days in a financial year before they can make a personal contribution to superannuation.

Existing annual pre-tax (concessional) and post-tax (non-concessional) caps will continue to apply to contributions made under the work test exemption. Catch-up concessional contributions also remain permissible during the 12 months.
See the Government fact sheet

▶ New Age Pension means test for lifetime income streams

From 1 July 2019 new Age Pension means testing rules will be introduced for pooled lifetime income streams. The rules aim to encourage the development of new retirement income stream products. The proposal will see people using these products lose less Age Pension entitlements and help manage the risk of members' outliving their savings.

See the Government fact sheet

▶ Retirement income product framework

The Government has proposed introducing a new framework for super funds to develop retirement income products.