

Important changes and information

September 2016

A summary of the significant changes in the recent Federal Budgets.

Federal Budget 2017/18: incentives to invest in superannuation

The two main measures affecting superannuation account holders are:

- first-home buyers can save toward a home loan deposit in their super
- eligible seniors may add up to \$300,000 extra to their super if they sell their home.

It is important to note that at the time of writing, these changes were not yet law and subject to change.

Housing and super

Perhaps the most critical measure is the First Home Super Savers Scheme, where savers can contribute from their before-tax income into their superannuation fund, and be taxed at the 15% superannuation tax rate instead of their marginal tax rate. When funds (including deemed earnings) are withdrawn from a superannuation account under the First Home Super Savers Scheme to purchase a home, they'll be taxed at the marginal rate less a 30% tax offset.

First-home savers can contribute up to \$15,000 a year under this scheme to a maximum of \$30,000 per person, which will be \$60,000 for a couple, and must be made within existing superannuation caps. The Treasurer concluded that "under this plan, most first-home savers will be able to accelerate their savings by at least 30%."

The other major target is older Australians who will be encouraged to downsize in order to free up housing stock for young families. Those aged 65 and over can make an after-tax contribution up to \$300,000 into their superannuation account out of the money from the sale of their home.

To be eligible, they must have owned the home for 10 years and it has to be their principal place of residence. Both partners in a relationship can do this, meaning combined they can contribute up to \$600,000 to super.

This will be an additional super contribution, and those making such a contribution won't be subject to the usual contribution cap and voluntary contribution rules, so they won't:

- have to pass the usual work test for 65 to 74-year-olds
- be restricted from contributing if their super balance is above \$1.6 million.

Federal Budget 2016/17: proposals now law

Since the 2016/17 Federal Budget was delivered in May 2016, the Government has made some changes to the original proposals announced for super. The 2016/17 Budget measures include a number of super and taxation reforms which are now law and are applicable since 1 July 2017 (unless stated otherwise in this update). These super rules are complex and we recommend that you seek financial and tax advice with respect to any of these changes which may impact you.

Reduced concessional contributions cap

From 1 July 2017, the annual concessional contributions cap has reduced to \$25,000 regardless of your age (previously it was \$35,000 if you were aged 50 or more and \$30,000 if you were aged less than 50 at 30 June 2017). The cap will be indexed and increase in increments of \$2,500 in line with average weekly ordinary time earnings (AWOTE).

Reduced non-concessional contributions cap

From 1 July 2017, the annual non-concessional contributions cap has significantly reduced to \$100,000 from \$180,000. If you are under age 65 at the start of a financial year, you should note that if you are using the three year bring forward period, the amount that can be contributed over that period has significantly reduced from \$540,000 (2016/17) to \$300,000 (2017/18). From 1 July 2017, the ability to use this bring forward rule is also impacted if your total super balance is at least \$1.4 million but less than \$1.6 million.

What does this mean?

If you have brought forward your non-concessional contributions within the previous two financial years, you can only contribute any residual amount without breaching your non-concessional contributions cap.

Non-concessional contributions – super balances \$1.4 million or more

From 1 July 2017, if your total super balance is \$1.6 million or more at 30 June of the previous financial year, then you cannot make non-concessional contributions in that financial year.

The three years bring forward period is also impacted where your total super balance is at least \$1.4 million but less than \$1.6 million. Refer to the following table for details.

Total superannuation balance on 30 June 2017	Maximum non-concessional contributions cap for the first year	Bring-forward period
Less than \$1.4 million	\$300,000	3 years
\$1.4 million to less than \$1.5 million	\$200,000	2 years
\$1.5 million to less than \$1.6 million	\$100,000	No bring-forward period, the standard non-concessional contributions cap applies
\$1.6 million	Nil	N/A

What does this mean?

From 1 July 2017, if you have a high super balance you may also wish to consider accumulating wealth for your retirement in a non-super environment. To manage your total super balance and the transfer balance cap, couples may also consider making spouse contributions and contribution splits on behalf of their spouse with the lower super balance. For more details, refer to the sections on transfer balance caps and tax offsets.

Personal contributions claimed as a tax deduction by more than self-employed

From 1 July 2017, more individuals will be able to claim a tax deduction for their personal contributions which can be a great tax incentive if they are considering topping up their super. If you have a salary sacrifice arrangement in place you may wish to review this, as it may no longer be your most effective strategy for contributing to your super.

New Low Income Super Tax Offset (LISTO) contribution

Eligible individuals with an annual adjusted taxable income of \$37,000 p.a. or less will receive a boost to their super with a LISTO contribution from the Government. If you are eligible, the LISTO contribution will be equal to 15% of your total concessional contributions for an income year, capped at \$500. The LISTO replaced the Low Income Super Contribution (LISC) that ceased on 30 June 2017.

Spouse contribution tax offset to become more available to couples

The low income spouse contribution tax offset will be made available to more couples making a contribution on behalf of their low income or non-working spouse (aged less than 70), including a de facto partner. A maximum tax offset of up to \$540 p.a. will be available where your spouse has an income of \$37,000 p.a. or less (previously this was \$10,800 p.a. or less). To receive the maximum tax offset requires you to make a contribution of at least \$3,000 on behalf of your spouse. The offset will gradually reduce if your spouse's income is above \$37,000 p.a. and cuts out at an income of at least \$40,000 p.a. (previously this cut out at an income of at least \$13,800 p.a.).

Reduced Division 293 tax threshold for high income earners

If your adjusted annual taxable income (including total concessional contributions less any excess concessional contributions) is greater than \$250,000 p.a., then your concessional contributions above this threshold will be subject to an additional 15% tax (Division 293 tax). The threshold has reduced from \$300,000 p.a. This additional tax means that you will pay a maximum of 30% tax on your concessional contributions above the threshold. This Budget measure also applies to members of defined benefit funds, but different rules apply to the calculation of this tax for defined benefit members.

New \$1.6 million transfer balance cap – retirement income phase

If you are retired or about to retire, from 1 July 2017, the total amount of super benefits that you will be able to transfer into the retirement phase will be capped at \$1.6 million. Investment earnings are currently tax-free in the retirement phase.

If you are already retired and are currently receiving a retirement income stream(s), then your existing retirement income stream(s) will be assessed against the cap based on your total balances as at 30 June 2017. If you exceed the cap, you will be required to rectify the breach by removing the excess amount (and certain notional earnings on this amount) from your retirement income stream. You will also be liable to pay a penalty tax on your total notional earnings (based on the general interest charge) attributable to the excess amount until the breach is rectified.

Certain non-commutable lifetime pensions, lifetime annuities, term pensions and term annuities have special values counted towards the transfer balance cap. Tax implications may apply to income stream payments that exceed \$100,000 for these types of income streams. Generally, non-commutable income streams do not allow lump sum withdrawals or the benefits to be rolled back to accumulation. You should also note that transition to retirement (TTR) income streams do not count towards the transfer balance cap.

What does this mean?

To rectify the breach, the excess amount (and certain notional earnings on this amount) can be transferred back to a super accumulation account where the earnings on the excess will be taxed at 15%. Alternatively, the excess amount may be paid out to you as a lump sum. However, this rectification action will not be possible if you are receiving a non-commutable income stream (including a defined benefit pension).

If you are receiving a retirement income stream, and the excess amount is \$100,000 or less at 30 June 2017, you have until 31 December 2017 to rectify this breach, otherwise a penalty tax may be applied.

Transition to retirement income streams

From 1 July 2017, earnings from assets supporting a transition to retirement (TTR) income stream will be taxed up to 15% and will no longer be tax-free. Members of TTR income streams will also not be able to treat their super income stream payments as lump sum payments for taxation purposes.

What does this mean?

You should inform your income stream provider as soon as you have satisfied a condition of release, including permanently retiring from the workforce or reaching age 60 and ceasing gainful employment. Your pension will then be in the retirement phase where the earnings on the assets supporting the income stream will be tax exempt, and the value of the pension will count towards your transfer balance cap.

You will see tax adjustment transactions on your 2017/18 Annual Statement for your TTR income stream, to account for the tax that is being paid on earnings from 1 July 2017. You should decide whether a TTR income stream is still appropriate for you after 30 June 2017, by discussing this strategy with your financial adviser and tax adviser.

Anti-detriment payments abolished

The anti-detriment payment on death benefits from super is abolished where the death occurred after 1 July 2017. If the death occurred before 1 July 2017, the death benefit payment must be made before 1 July 2019 to receive the anti-detriment payment. The anti-detriment payment represents a refund of the tax paid on super contributions by the late member, where the death benefit is paid to their spouse, former spouse or child.

For more information, go to www.budget.gov.au or speak to your financial adviser.

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A summary of significant product or regulatory changes that may impact your account. It is important you take time to review these changes and understand what they may mean for you.

1. Change to administrator

The Trustee, Oasis Fund Management Limited, completed a review of the call centre, account administration and online services provided to ensure that we continue to provide leading super, pensions and investment solutions to customers.

Following the review, a decision to change administrator to Macquarie Investment Management Limited (MIML) was made, with the change to the new administrator completed on 12 December 2016.

The change of administrator did not impact your investments and insurance cover (if any) and Oasis Fund Management Limited continues to be the Trustee/Operator of customer accounts.

2. Your Annual Report will be available online

In line with our ongoing commitment to reducing our impact on the environment, your Annual Report will be available online in December at wrapinvest.com.au/Matrix

If you would like to receive a hard copy (free of charge), please contact Client Services.

3. Annual Australian Prudential Regulation Authority (APRA) levy

All Australian Prudential Regulation Authority (APRA) regulated superannuation funds are charged an APRA levy. The amount of the APRA levy for the 2016/17 financial year recovered the general operational costs of APRA, as well as other specific costs incurred by certain other Commonwealth agencies and departments (ASIC, DHS, SCT and the ATO), as well as some of the costs with implementing the Government's 'SuperStream' reforms. The SuperStream reforms are designed to support the superannuation system to operate more efficiently for the benefit of members.

The APRA levy was applied as an asset-based levy of 0.01% against the investments of the Oasis Superannuation Master Trust (the Trust) in the 2016/17 financial year. Oasis Fund Management Limited, as Trustee, recovered the APRA levy in May 2017 by deducting it from your cash account.

The total impact of the APRA levy on members was 0.01% of the value of their investment options, up to a maximum of \$100. For example, a member with a balance of \$50,000 paid \$5.

The levy will appear as a 'Cost Recovery' on member statements and in online reporting.

4. Employer contribution obligations for SuperStream compliance

SuperStream is a government reform aimed at improving the efficiency of the superannuation system. As part of the SuperStream reforms, employers must make super contributions on behalf of their employees by submitting data and payments electronically in a consistent and simplified manner prescribed by the ATO.

What does this mean for you?

SuperStream is a significant benefit for employers and their employees as it simplifies the employer super contribution experience by streamlining how payments can be made.

Your employer should liaise directly with the ATO in relation to the specific requirements.

What do you need to do?

The obligation for compliance is with your employer; however, payments received by employers that do not comply with SuperStream obligations may be rejected.

5. Upcoming changes to fees and costs disclosures

What is changing?

The Australian Securities & Investment Commission (ASIC) has recently issued Regulatory Guide 97 which implements new rules around how Trustees, IDPS Operators and Responsible Entities disclose the fees and costs of superannuation, pension and investment products to you. Over the coming months, this will result in changes to the way in which fees and costs are disclosed in your statements (such as your Annual Statement) and other product documentation such as Product Disclosure Statements (PDSs).

What does this mean for you?

The changes will not have any impact on the total rate (percent or dollar) of fees and costs incurred by you, nor will they have any impact on your investment returns.

However, as these changes require fees and costs to be disclosed differently in the future, it may appear that some new fees are being charged, or that other fees are no longer being applied. Also, it may appear that the rate of some existing fees or costs have increased or decreased. For example, APRA and Regulatory Change levies were previously disclosed as 'Expense Recoveries'. However, in the future, these levies may be disclosed as 'Administration Expense Recovery Fees' and classified as 'Administration Fees'.

We will provide further information on the specific changes to your statements as they occur.

What do you need to do?

You do not need to do anything, as the obligation for compliance is with us as the issuer of the superannuation, pension and investment products.

6. Nominating a beneficiary

Once you have opened your Matrix account, you should decide who should receive your money (including any Death insurance benefit, if payable) in the event of your death. With Matrix, you have the option to give us a non-lapsing beneficiary nomination.

What is a non-lapsing beneficiary nomination?

This is the nomination of a beneficiary(ies) that, if it satisfies all legal requirements, will not expire over time, and the Trustee is required to pay your money to your nominated beneficiary(ies) in the proportions you have specified. This is subject to the nominated beneficiary(ies) being either a dependant at the time of your death or your estate or a combination of both that adds

up to 100% in proportion and your non-lapsing direction being current at the time of your death.

However, it will become invalid if you marry, enter into a de facto or like relationship with a person of either gender or become separated on a permanent basis from your spouse or partner since the nomination was made.

Who can be nominated as a beneficiary?

You can nominate one or more beneficiary(ies) to receive your Death Benefit in the event of your death. All beneficiaries must be either a dependant (for superannuation purposes) or your estate. We note that the Trustee cannot give effect to a nomination if it does not fall in to one of these categories. Death Benefits paid to dependants will be paid as a lump sum or as an income stream subject to eligibility to commence a death benefit pension.

Who can be a dependant?

A dependant as defined by superannuation law includes:

- your 'spouse' includes any person (whether of the same sex or different sex) with whom you are in a registered civil union or domestic relationship or who, whether or not legally married to you, lives with you on a genuine domestic basis in a marriage-like relationship;
- your children (including an adopted child, a step-child or an ex-nuptial child, a child of your spouse, or someone who is considered your child under family law);
- any other person who is financially dependent on you at the time of your death; and
- any other person with whom you have an 'interdependency relationship'. (see following).

Two people (whether or not related by family) have an 'interdependency relationship' if:

- they have a close personal relationship; and
- they live together; and
- one or each of them provides the other with financial support; and
- one or each of them provides the other with domestic support and personal care.

An 'interdependency relationship' can also exist where two people have a close personal relationship but do not meet the other criteria above because either or both of them suffer from a physical, intellectual or psychiatric disability or are temporarily living apart*.

* The Trustee will rely on superannuation laws to determine the circumstances that two persons have an 'interdependency relationship'.

Defective nominations

Your nomination may become partially or fully defective if a nominated beneficiary dies or ceases to be a dependant while you are a member of the Fund. You should consider amending your nomination as and when your personal circumstances change.

No nomination, defective nomination or cancelled nomination

If you don't make a nomination, your nomination is invalid, you cancel your existing nomination or to the extent your nomination is defective, the Trustee must pay the benefit to one or more of the following:

- i. the member's Legal Personal Representative**, where the estate is not insolvent;
- ii. one or more of the member's dependants in such proportions, as the Trustee, in its absolute discretion, determines.

In the circumstance where there are no dependants and no Legal Personal Representative, the Trustee may pay a member's death benefits to any other natural person or persons in such proportions as determined by the Trustee.

** Legal Personal Representative means an executor of the will or administrator of the estate of a deceased person, the Trustee of a deceased person, the Trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by a person, however:

- a. subject to paragraph (b) below, a person does not have a Legal Personal Representative unless:
 - i. a grant of probate has been made;
 - ii. letters of administration have been issued; or
 - iii. such equivalent authority as the trustee determines for jurisdictions outside Australia has been conferred on a person; and
- b. if the Trustee is reasonably satisfied that the value of your estate is less than the amount which the Trustee from time to time specifies as the 'probate limit', then the Trustee may treat a person who does not meet the criteria in (a) but who the Trustee is reasonably satisfied will, in practice, be informally performing the role of executor or administrator of your estate as if they were your Legal Personal Representative.

7. Terminal medical condition

The following investment and regulatory information is relevant for members with a super or a pension account which has preserved or restricted non-preserved benefits.

Early access to superannuation for people with terminal medical condition

From 1 July 2015, the government amended the provision for accessing superannuation for people suffering a terminal medical condition. Previously, terminally ill members were only considered to have met a condition of release (and hence able to access their superannuation balances) in the event that their life expectancy was limited to 12 months. This amendment extends the life expectancy period from 12 months to 24 months, meaning that members can potentially access their superannuation balances sooner. However, if you hold Death Cover (which includes Terminal Illness Cover through your super account), you may still not be able to claim a Terminal Illness benefit unless your life expectancy is limited to 12 months.

Possible implications to consider

If you have insurance within your super, it is important to understand the terms and conditions as you may not be able to claim a Terminal Illness benefit until your life expectancy is limited to 12 months. If you withdraw your super balance when your life expectancy is 24 months, you may wish to consider maintaining some money in your super account to keep the account open and to ensure a sufficient balance to pay any insurance fees. Withdrawing your full balance could result in the loss of valuable insurance cover.

It is important you take time to review the changes and understand what they may mean for you. If you are considering accessing your super balance due to a terminal illness, we recommend that you seek professional financial advice.

9. Are your contact details up to date?

It is important that you stay in touch with us and keep your account active, so you do not become 'lost'.

You may be classified as a 'lost member' if

- we have made one or more attempts to send written communications to you at your last known address, and we believe on reasonable grounds that you can no longer be contacted at any postal or email address known to the fund, and
- you have not contacted us (by written communication or otherwise) within the last 12 months of your membership of the fund, and
- you have not accessed details about your account online within the last 12 months of your membership of the fund, and
- we have not received a contribution or rollover from you, or on your behalf, in the last 12 months of your membership of the fund.
- We are required to report all forms of 'lost members' to the Australian Taxation Office (ATO). Additionally, we are required to transfer a lost member's account to the ATO if:
 - the account balance is less than \$6,000; or
 - we have insufficient records to pay an amount to the member.

If your account does become 'lost' and paid to the ATO you will lose any insurance cover associated with the account, and you will need to contact the ATO about payment options.

**To update your contact details please call us on 1800 892 971 or
email us at matrix@wrapinvest.com.au**

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