

Westpac Super

Significant Event Notice

1 July 2017

Prepare for the best.



Summary of the changes

Information was sent to Westpac Super members about the impending regulatory changes impacting their Westpac Super account. They were advised that these changes would start on 1 July 2017.

Impact of the changes

Members with a Westpac Super account were provided with an overview of the super reforms announced as part of the 2016 Federal Budget including:

- > making before and after-tax contributions;
- > the new \$1.6m transfer cap; and
- > the methods by which the member could seek answers to any questions they may have about the changes.

Attachments

All members were provided with the attached *Changes to your super* flyer.

For more information



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Speak with your Financial Adviser

Changes to your super

How could the super reforms affect you?



The government announced super reforms in the 2016 Federal Budget which could impact your super or pension account. To help you understand the changes, here's a summary of the major reforms which took effect on 1 July 2017.

You may be affected if you:

- > Make or plan to make after-tax contributions of more than \$100,000 per year
- > Make or plan to make before-tax contributions of more than \$25,000 per year
- > Have a pension balance over \$1.6 million
- > Have a transition to retirement (TTR) income stream
- > Are under 75 and plan to make a personal super contribution
- > Earn \$250,000 per annum or more and plan to make before-tax super contributions
- > Plan to make a super contribution for your spouse

Making before-tax contributions

The annual cap on before-tax (concessional) contributions has reduced to \$25,000 for all ages, compared to the previous \$30,000 for those aged under 49 and \$35,000 for those aged 50 and over.

Here's an example of how it works:

Janice is 56 years old and an assistant principal at a primary school. She's currently receiving \$10,000 in superannuation guarantee contributions (SG) and salary sacrificing an additional \$5,000 per annum.

She's planning to retire when she turns 65 and would like to make additional salary sacrifice contributions from her before-tax salary to her super to help her live a comfortable retirement.

Under the new rules she's able to make an additional \$10,000 contribution before-tax.

Also, if your total income is more than \$250,000 a year (compared to the previous \$300,000 threshold), you'll need to pay an additional 15% tax on your concessional contributions (known as Division 293 tax).



Making after-tax contributions

The annual cap on after-tax (non-concessional) contributions has reduced to \$100,000 (from \$180,000). Plus, if you have total super savings of \$1.6 million or more, you may no longer be able to make after-tax contributions.

However, if you're under 65, you can make after-tax contributions of up to three times the annual cap in a single year by bringing forward your cap for a two or three year period. This is known as the 'bring-forward' rule. From 1 July 2017, your ability to use the bring-forward rule is reduced if your total super savings are between \$1.4 million and \$1.6 million as at 30 June of the previous financial year.

Your total super savings includes all your super and pension accounts, but excludes any personal injury contributions made to your super. For more information about the bring-forward rule, please go to www.ato.gov.au/individuals/super/super-changes/.

Claiming a tax deduction for personal super contributions

If you're under 75, you may now be able to claim a personal tax deduction for personal super contributions. Your eligibility can be affected by your age and any other contributions made, such as super guarantee (SG), salary sacrifice or other employer super contributions.

The new \$1.6m transfer balance cap

If you're retired or planning to retire, the total amount you can have invested in a pension account(s), where there is no tax on investment earnings, is now limited to \$1.6 million. This is called the transfer balance cap. If your balance exceeds the cap, additional tax may apply.

The new cap applies to the combined balance of all your pension accounts, including those held with other super funds, and is monitored by the ATO. There are some exclusions, such as personal injury super contributions, which won't count towards your cap.

Depending on the type of pension account you hold, you may need to:

- > move the excess back to an accumulation super account (where earnings are taxed at 15%) or
- > withdraw the excess amount from your account-based retirement account.

If your balance exceeds the cap by \$100,000 or less, you have until 31 December 2017 to reduce the balance to below \$1.6 million.

If your balance exceeded the \$1.6 million cap by more than \$100,000, you had until 1 July 2017 to reduce this amount or additional tax may apply until your balance is \$1.6 million or less.

If your excess is not the result of an account-based pension, you're not required to do anything. Instead, different tax rules apply to the pension payments you receive.

If you're receiving a combination of account-based pensions and other types of pensions (such as lifetime, term allocated, or life-expectancy), you may need to transfer or withdraw all or part of the account-based pension to stay under the cap.

Also, if you're 60 or over and receive more than \$100,000 in pension payments each year from a lifetime, term allocated or life expectancy pension, 50% of your pension payments over \$100,000 are now considered assessable income and will be taxed at the applicable income tax rate. There's no change to the tax on pension payments for members under age 60.



New tax on transition to retirement earnings

Investment earnings in a transition to retirement (TTR) account are now taxed at up to 15% - the same tax rate as investment earnings in super accounts. Investment earnings in pension accounts remain tax exempt.

Anti-detriment payments abolished

Anti-detriment amounts are now only payable on death benefits where the member died prior to 1 July 2017 and payment made by 30 June 2019. The amount is only payable where the death benefit is paid as a lump sum to your spouse, former spouse or child, either directly or through your estate.

Spouse super contribution tax offset extended

The spouse super contribution tax offset is now available to more couples so they can support each other in saving for retirement. Eligibility has been extended to include spouses earning up to \$40,000 compared to \$13,800 previously. The spouse receiving the contribution must be aged under 70 and meet a work test if they're aged 65 to 69.

Find out more

The changes are complex and we recommend you speak with your financial or tax adviser to understand what they could mean for you.

To find out more about any of these changes, go to www.ato.gov.au/individuals/super/super-changes/.

For more information



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