

Asgard Employee Super Account

Significant Event Notice

August 2017

Summary of the changes

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

Impact of the changes

Members with an Asgard Employee 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.

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Changes to your super

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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 before-tax contributions of more than \$25,000 per year
- > Make or plan to make after-tax contributions of more than \$100,000 per year
- > Earn \$250,000 per year or more and plan to make before-tax super contributions
- > Are under 75 and plan to make a personal super contribution
- > Have a pension balance over \$1.6 million
- > Have a pre-retirement pension income stream
- > Receive more than \$100,000 in pension payments each year
- > 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 everyone, regardless of age. These contributions are taxed at 15%.

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.

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 will be monitored by the ATO. There are some exclusions that won't count towards your cap, such as personal injury super contributions.

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

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

If, on 30 June 2017, your balance exceeded the cap by \$100,000 or less, you still have until 31 December 2017 to reduce the balance to below \$1.6 million.

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 60.

New tax on transition to retirement earnings

Investment earnings in a pre-retirement pension, also known as 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.

As a result, if you have a pre-retirement pension account, you're no longer able to maintain your account once you turn 65, retire, or meet another full condition of release (such as permanent incapacity or terminal illness).

When you turn 65, or when we're notified that you've met another full condition of release, we'll move your benefit to a new pension account and close your pre-retirement pension account, unless you tell us otherwise.

The trustee was able to apply capital gains tax (CGT) relief to eligible assets in your pre-retirement account. To apply CGT relief, on 1 July 2017, we reset the cost base of the assets in continuing pre-retirement pension accounts as follows:

- > Assets purchased prior to 9 November 2016 had their cost base reset at current market value.
- > Assets purchased on or after 9 November 2016 were allocated the original purchase price of the asset.
- > Assets transferred from a super account on or after 9 November 2016 were allocated the original purchase price of the asset in the super account.



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 is 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 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 ato.gov.au/individuals/super/super-changes/ or login to investoronline.info and go to the Latest news and updates section.

Other important changes

Interest rate paid on your cash account

Effective 22 May 2017, the interest rate declared and paid on your cash account was reduced from 0.40% to 0.28% per annum. The declared rate may be varied from time to time. Please refer to the Product Disclosure Statement for more information.

The current interest rate declared and paid on your cash account, can be accessed at any time by logging into Investor Online via investoronline.info, or by contacting your financial adviser.

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Disclaimer

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