

Superannuation reforms



Be on top of changes coming from 1 July 2021

This year we're seeing significant changes to super with the implementation of the government's *Your Future, Your Super* reforms first announced in the October 2020 Federal Budget. The changes are designed to increase super funds' accountability and transparency and give Australians greater control over their super. In addition, the *More Flexible Superannuation* reforms make a number of changes to certain age and contribution limits.

Here's an overview of how and when they may affect your super.

Super stapling – 1 November 2021

One of the most anticipated initiatives in the *Your Future, Your Super* legislation is a 'stapling' mechanism, designed to reduce the number of Australians with multiple super accounts.

Currently, when you start a new job your employer will sign you up to their default fund, unless you specifically choose a fund. This can result in employees having a new fund set up every time they start a new job and then ending up with multiple super accounts and paying multiple fees.

From 1 November 2021, when people change jobs they will automatically be 'stapled' to a super fund, resulting in fewer new super accounts. It is currently proposed that this will generally be where the last contribution was paid.

Once the stapled super fund has been identified, employers will be obliged to make ongoing contributions on behalf of the employee into that stapled fund. Of course, workers can still choose a new or different super fund.

After 1 November 2021, if you start a new job, it will be important to consider if you are happy with your stapled fund and if it is the best fund for you. Some employers will have negotiated lower fees, or even pay fees and/or insurance premiums, for their employees if they are in their default fund. So, it's worthwhile fully understanding what your options are.

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You don't need to do anything right now, but you should check to see if contributions are being made into your account with us. If not and you're currently working, you can have your SG contributions paid to your Suncorp account by providing your employer with a [Choice form](#). You can find out more about how to do this on our [Changing jobs](#) page.

Keep in mind that your employer may be able to refuse your request in certain circumstances. For example, this may happen when you have chosen another super fund for these purposes within the last 12 months.

Underperforming funds – all MySuper products to be assessed from 1 July 2021

To help you understand if your fund is performing and protect Australians from investing in 'dud' funds, the Australian Prudential Regulation Authority (APRA) will be conducting an annual performance test.

APRA will measure all default super products, known as MySuper products, against a benchmark portfolio. It is proposed that superannuation products whose returns are more than 0.5% below the benchmark will be labelled underperformers. It is also proposed that APRA will notify trustees of the outcome of APRA's assessment for the 2020/2021 financial year by 31 August 2021, and trustees will need to notify members within 28 days if the MySuper product has been assessed as underperforming.

Super products that fail the test in two consecutive years will then be blocked from accepting new members.

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If you receive a notification from your fund about underperformance, it could be a trigger to consider your options. Keep in mind that the assessment is based on net investment performance alone, and there could be other reasons you are with your fund, such as the insurance cover you have or other services they provide to you. Your fund is likely to be able to give you information in addition to the notification, so it could be a good idea to contact them before making a decision and consider seeking professional financial advice.

YourSuper comparison tool – 1 July 2021

The results of the annual performance tests will feed into a new public comparison tool run by the Australian Taxation Office (ATO).

The online tool, *YourSuper*, will enable people to compare funds' fees and performance to help them choose a quality fund that will meet their needs. Initially the *YourSuper* tool will be limited to MySuper funds, with the intention of broadening the range of funds later.

Best financial interests duty – effective 1 July 2021

The *Your Future, Your Super* reforms also introduced a 'best financial interests' duty requiring superannuation trustees to act in the best financial interests of their members when carrying out the various duties of running a super fund.

In some cases this may impact how funds spend their money, as it includes stricter requirements on funds to disclose how they manage money and to ensure their spending is motivated by their members' best interests. In particular, the government is looking to reduce discretionary spending on things like advertising, sponsorships and corporate entertainment.

Bring-forward rule extended to age 67 – backdated to 1 July 2020

The bring-forward rule is an arrangement that allows people to make up to three years of non-concessional (or after-tax) contributions without exceeding the contributions cap and having to pay extra tax. As part of *More Flexible Superannuation* reforms, the age limit for this arrangement has been raised from 65 to 67 for non-concessional contributions made on or after 1 July 2020.

To access the bring-forward arrangements you need to be under age 67 at the start of the financial year in which you're contributing (after 1 July 2020).

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If you were over 65 and under 67 on 1 July 2020, you may be able to make an additional non-concessional contribution to your super under a bring-forward arrangement.

New contribution limits and SG rate – effective 1 July 2021

Other announcements have resulted in the contribution caps and the SG rate increasing as follows:

| | 2020/21 | 2021/22 |
|------------------------------------|--------------------|---------------------------------|
| Non-concessional contributions cap | \$100,000 per year | \$110,000 per year ¹ |
| Concessional contributions cap | \$25,000 per year | \$27,500 per year |
| Super Guarantee (SG) rate | 9.5% | 10% |

¹The current after-tax (non-concessional) contribution limit is:

- \$110,000 if you are under age 67 at the start of the financial year and your total super balance on 30 June of the previous financial year was at least \$1.59 million and less than \$1.7 million, or
- \$220,000 in any 2-year period if you are under 67 at the start of the financial year and your total super balance on 30 June of the previous financial year was at least \$1.48 million and less than \$1.59 million, or
- \$330,000 in any 3-year period if you are under 67 at the start of the financial year and your total super balance on 30 June of the previous financial year was less than \$1.48 million.

This includes contributions you make from your take-home pay and spouse contributions. Downsizer contributions and COVID-19 recontributions do not count towards the limit.

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Consider adding more to your super to take advantage of the higher caps.

COVID-19 early release – effective 1 July 2021

Due to the *More Flexible Superannuation* reforms, individuals who accessed the COVID-19 early release of super program, which closed on 31 December 2020, will be able to 'recontribute' that released money between 1 July 2021 and 30 June 2030 without having it count toward their non-concessional contributions cap.

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If you'd like to recontribute these payments, please complete and submit this [ATO form](#).

Removal of excess concessional contributions charge – effective 1 July 2021

Previously, an individual who exceeded their concessional contributions cap for a financial year was subject to an additional fee, known as an excess concessional contributions charge, on top of the extra tax they paid when the excess contributions were included in their assessable income.

The *More Flexible Superannuation* reforms have removed this additional charge for financial years starting on or after 1 July 2021.

Need to know more?

If you have any questions on these changes, please contact your financial adviser or call our Customer Service team on **13 11 55** between 9am and 5pm (AEST) Monday to Friday. We'll be happy to help.

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