



CLIENT ALERT

ON 1 JULY 2019 YOUR INSURANCE COVER MAY BE CHANGING!

In February this year, the Government passed legislation which prevents trustees of APRA-regulated funds (Industry, Retail etc) from providing insurance to members with inactive superannuation accounts, unless a member has directed otherwise.

It is a common practice for many individuals with an SMSF to also have a secondary APRA-regulated fund which provides them with insurance.

This may be done for two key reasons:

- To access insurance policies provided through large superannuation funds which are often cheaper;
- To keep legacy insurance policies which may offer better benefits or lower premiums than new policies, especially for older members.

In these circumstances, it is most likely that people holding these policies through an APRA-regulated super fund will consider that their SMSF is their primary superannuation account and therefore receives all their contributions and roll-overs.

It is usually the case that people will leave enough money in their

APRA-regulated fund account to cover the cost of insurance premiums. Where required they may rollover funds from their SMSF to their APRA-regulated fund or make a contribution to pay for insurance premiums and administration fees to keep their insurance policy.

Under the new legislation, you now may lose your insurance cover if your APRA-regulated fund is considered inactive because it has not received a contribution or a rollover for a continuous period of 16 months.

At 1 July 2019, if your APRA-regulated fund is considered inactive for 16 months your insurance will be terminated.

APRA-regulated funds had until 1 April to identify members who have been continuously inactive for six months or more and now have until 1 May to inform those inactive members that their insurance will soon be switched off unless they elect to retain it.

We are concerned that insurance will be unknowingly closed for these accounts because members have not checked their correspondence, especially for those who rely on this insurance held separately.

This could have a devastating impact on policy holders or their beneficiaries if their insurance cover was unknowingly terminated. Furthermore, it may be extremely difficult or costly to try and access insurance at a later stage of life.

So what can you do?

It is important that if you wish to maintain your insurance cover that you take necessary steps as soon as possible. This includes either:

- Providing a direction to your APRA-regulated fund that you wish to 'opt-in' for your insurance cover to be maintained. With most super funds, you can do this by logging into your account and following the links dealing with life insurance. Most funds have special links or pages dealing with you making an election to "keep my insurance" cover in place;
- Making a contribution or rollover to your 'inactive' APRA-regulated fund so that the period for which your fund starts to be inactive is reset. **However, it stressed that you also 'opt-in'.**

THE COALITION WINS A THIRD TERM: YOUR SUPERANNUATION POLICY UPDATE

The Coalition Government has been re-elected in the 2019 Federal Election, with a small majority of seats in the House of Representatives.

Before the election, the Coalition did announce tweaks to the superannuation system that we anticipate will be implemented by the Government including:

- Guaranteeing no new taxes on superannuation.
- Greater flexibility for retirement contributions.
 - From 1 July 2020, Australians aged 65 and 66 will now be able to make voluntary superannuation contributions, both concessional and non-concessional, without meeting the work test. Previously, this was only available to individuals below 65.
 - This also includes extending access to the bring-forward arrangements to individuals aged 65 and 66 which allows individuals to make three years' worth of non-concessional contributions to their super in a single year.
 - Increasing the age limit for individuals to receive spousal contributions from 69 to 74.
- Reducing red tape for superannuation funds – exempt current pension income (ECPI) changes.
 - The Government will streamline administrative requirements for the calculation of ECPI.
- Reducing costs for the super industry by including superannuation release authorities in electronic SuperStream Rollovers.
 - The Government will provide \$19.3 million over three years beginning in 2020-21 to the Australian Taxation Office (ATO) to send electronic requests to superannuation funds for the release of money required under a number of superannuation arrangements.
- Retaining limited recourse borrowing arrangements (LRBAs).
- Increasing the maximum number of SMSF members from four to six.