



Superannuation Changes May Impact Insurance Cover

JUNE ISSUE

Contributed by William Tuffley

SMSF trustees and non-residents may need to act now to retain insurance in Superannuation

The Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2019 received Royal Assent on 12 March 2019. Its purpose is to safeguard individuals superannuation by reducing fees and removing insurance on low balance funds and transferring low balance inactive funds to the ATO for administration.

However, many SMSF members maintain a small retail or industry superannuation fund to maintain access to group insurance policies within these funds, as they may be cheaper or provide better protection than can be sourced within their SMSF. This legislation may inadvertently place these insurance policies at risk unless members act.

Legislated super changes to take effect from 1 July 2019

The key changes to protect individuals' retirement savings are as follows:

Fees

- Fees will be limited to no more than 3% per annum for accounts with a balance of less than \$6,000
- Exit fees on all super accounts will be banned to remove barriers to consolidation

Inactive accounts

- Inactive accounts, *defined as those that have not received a contribution in 16 months*, will only maintain the Insurance on an opt-in basis. Funds will be required to contact inactive members before 1 May 2019 to confirm whether they wish to maintain their existing cover
- From 31 October 2019 super providers are to report and transfer all inactive accounts with a balance below \$6,000 to the ATO
- From 1 November the ATO will start to transfer (or consolidate) eligible inactive accounts to the owner's active superannuation account

Implications

A significant number of SMSF trustees maintain a small superannuation account in the public system for insurance purposes and the implications of having this insurance cancelled can be significant.

Superannuation funds can hold life, total and permanent disablement and income protection policies on your behalf and this insurance could be critical if you have debt, dependents or rely on your income for your financial security.



In the event your existing cover is cancelled, you may not be able to get new cover on the same terms. You may need to disclose medical conditions that have arisen since you originally applied, and have higher premiums or exclusions as a result, or you may no longer be eligible for cover at all through that fund. In many circumstances, particularly if you are older, or have poor health or a high-risk occupation, your existing policy may be the only insurance policy you hold. It may also be the only affordable insurance you are able to get.

How do I keep my account active?

There are three (3) ways to keep your small superannuation fund account active:

1. Make a contribution*
2. Opt in to your insurance
3. Advise the super fund that you do not want the fund cancelled

***Note:** if you wish to keep your small superannuation fund account active by making a contribution, please ensure that you contact our office first to ensure it is within your contribution limits.

If you have been maintaining a small inactive superannuation fund account for insurance purposes, you should have already have been contacted by your super fund in respect of these changes. If you have not, we would recommend contacting the superannuation fund before 30 June 2019 to ensure the account remains active.

For more information, contact our office:

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