

KEY CONSIDERATIONS

WHEN ADVISING CLIENTS ABOUT THE SUPER CHANGES



Australian Government
Australian Taxation Office

As of 1 July 2017, many of the superannuation (super) changes as announced by the Australian Government in the 2016 Budget will start. We want to ensure you have the most up to date and important information at your fingertips. Outlined below are some of the key considerations for financial advisers in the lead up to many of the super changes taking effect.

Communicate to clients who may be impacted



The changes will differ on a case-by-case basis, so refer to ato.gov.au/superchanges to determine if your clients are affected.

Clients impacted might include:

- Individuals earning less than \$40,000
- Individuals making extra contributions to their super
- Individuals approaching retirement or that are retired
- Individuals earning over or close to \$250,000
- Individuals who have taken time out of the workforce, or individuals who work part-time

We have published law companion guidelines and guidance notes at ato.gov.au/superchanges to help you to advise your clients on the changes and how they may be impacted.

Follow-up with clients impacted or potentially impacted before 1 July



Advice needs to be given about what decisions and actions clients need to take and by when. Importantly, clients also need to be informed about the consequences of not acting prior to most of the super changes coming into effect on 1 July 2017.

For example, as of 1 July 2017, the transfer balance cap will limit how much of your clients' super can be transferred from their accumulation super accounts to tax-free retirement phase accounts to receive their pension income. This cap will initially be set at \$1.6 million. If your client is in excess, they will have to remove the amount in excess and may have to pay excess transfer balance tax.

What can you do now for your clients



ato.gov.au/superchanges has information on all aspects of how your clients may be affected.

For example, the transfer balance cap will affect clients who are currently receiving an income stream (pension or annuity) that is close to or in excess of the \$1.6 million cap, or who start a retirement phase income stream after 1 July 2017.

If clients are currently receiving an income stream, you will need to look at the likely value of your clients' income stream as at 30 June 2017. You may need to offer clients advice on how they can reduce the value of their income stream before 1 July 2017 to ensure they do not have an excess.

You should also check to see if clients have multiple super accounts as this could tip them over the excess.

Consider timings and key dates



1 July 2017 is when many of the super changes come into effect. If you have established your clients are affected, you should be taking the appropriate action and having conversations with your clients now.

For example, those who are claiming transitional capital gains tax (CGT) relief or have assets in self-managed super funds (SMSFs) that need to be revalued should determine market values ahead of 1 July.

For those looking to top up their fund prior to the changes, make sure clients factor in funds transfer and bank processing times, to ensure their balance is updated and processed before 1 July 2017; as well as taking into consideration other payments your clients' fund may still receive (for example, superannuation guarantee payments from their employer).

Information correct as at 24 May 2017

For more information visit ato.gov.au/superchanges

THERE ARE RESOURCES AVAILABLE



Australian Government
Australian Taxation Office

We have released a range of resources to help finance professionals effectively prepare their clients for the changes available at ato.gov.au/superchanges



Law companion guidelines

Law companion guidelines (LCG) which describes the ATO view on how the new laws will apply. The LCGs currently available are:

- Transfer balance cap and transition to retirement: transitional CGT relief
- Transfer balance cap
- Concessional contributions defined benefit interests and constitutionally protected funds
- Total superannuation balance
- Capped defined benefit income streams: non-commutable, lifetime pensions and lifetime annuities
- Capped defined benefit income streams: pensions or annuities paid from non-commutable, life expectancy or market-linked products
- Superannuation death benefits and the transfer balance cap

More LCGs will be added to ato.gov.au/superchanges as they are finalised.



Webinars

For a detailed explanation of how particular super changes will apply, you can register to view a live webinar. Recordings of past webinars and a full schedule of upcoming webinars is available at ato.gov.au/smsfwebinars



Guidance notes

Guidance notes to provide information and examples of how the super changes may operate in practice. The guidance notes currently available are:

- New transfer balance cap for retirement phase accounts
- Change to non-concessional contributions cap
- Change to concessional contributions cap
- New transfer balance cap – defined benefits
- Changes to the taxation of defined benefit income streams
- Transitional CGT relief
- Changes to personal super contributions deductions
- Change to tax offset for spouse contributions
- Total superannuation balance
- New transfer balance cap-payment splits

More guidance notes will be added to ato.gov.au/superchanges as they are finalised.



Other resources

We have published frequently asked questions at ato.gov.au/superchanges, in response to enquiries we have received about the super changes. The FAQs cover key topics including the transfer balance cap, carry-forward concessional cap, and total superannuation balance. You can subscribe for email or RSS alerts for FAQ updates.

In the lead up to the changes, we will also be releasing Reporting Guidelines for advisers and the industry to better understand the new reporting guidelines as a result of the super changes.

Additionally, we have released practical compliance guidelines that describe how the ATO will apply its compliance resources:

- Supporting the implementation of the changes to the taxation of transition to retirement income streams
- Commutation requests made before 1 July 2017 to avoid exceeding the \$1.6 million transfer balance cap
- Commutation of a death benefit income stream before 1 July 2017.

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