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Super news for the new financial year

From 1 July 2021, there were some exciting changes to super including an increase to the Super Guarantee amount and an increase to the super contribution caps.

Increase to the Super Guarantee

From 1 July 2021, the Super Guarantee (SG) rose from 9.5% to 10%. This is good news to help you and other working Australians save for retirement.

What is the Super Guarantee?

If you are working, your employer is generally required to contribute to your super fund from your pre-tax salary on your behalf. This is known as the Superannuation Guarantee or SG. Most employees who are aged 18 and above and are earning more than $450 per month are eligible for SG contributions. This applies whether you are full-time, part-time or employed on a casual basis.

What do you need to do?

Generally, you don't need to do anything. Your employer will arrange the increase with your super fund on your behalf. If you are remunerated on a 'base plus super' basis, this will result in an increase to your overall salary. However, if you are on a packaged structure you may need to discuss this with your employer.

Increase in super contribution caps

On 1 July 2021, the super contribution 'caps', or limits, increased for both concessional and non-concessional super contributions.

What are Concessional contributions?

These are super contributions made either by your employer, from your pre-tax income (salary sacrifice contribution) or contributions for which you claim a tax deduction. They are generally taxed at only 15 per cent instead of your marginal tax rate.

What are Non-concessional contributions?

These are super contributions made from your after-tax income. They are tax-free going into your super.

What are the old and new contribution caps?

	Old Caps FY20	New cap FY21
Concessional	$25,000	$27,500
Non-concessional	$100,000	$110,000

These increased limits give you the opportunity to increase your super savings and potentially save on tax.

In some circumstances you may also be eligible to utilise previous years unused concessional contribution cap amounts. For more information on maximising your super refer to the Government's **MoneySmart** website.

Making the most of the 'bring forward rule'

The Government has increased the age at which you can take advantage of the 'bring forward rule' - from age 64 or younger at 1 July of the financial year to age 66 or younger at 1 July of the financial year.

This means if you are age 66 or younger at 1 July 2021, you **may** be eligible to 'bring forward' and use up to two future years' worth of your non-concessional contribution caps. Depending on your total superannuation balance this may allow you to contribute up to $330,000 (3 x $110,000) into super this financial year.

If you are age 67 or over you generally need to meet a 'work test' or work test exemption to make a personal contribution to super such as a non-concessional contribution. More information can be found via the Australian Taxation Office website.

Super fund stapling

In the 2020 Federal budget, the Government announced a series of reforms including the 'stapling' of super accounts.

This means that if you change jobs your new employer will be required to go to the ATO and get details of your 'stapled' fund before opening a new default account on your behalf. Your new employer will make contributions into your existing account without you needing to provide them with your super fund details or opening a new account.

Employees who start a new job on or after 1 November 2021 will have employer super contributions directed to their existing 'stapled fund' if one exists, unless they choose another fund.

Employers will obtain information about the employee's existing superannuation fund from the ATO, if it is not provided by the employee. The purpose of this amendment is to reduce the instances that members accumulate multiple superannuation accounts every time they change jobs.

Employees can advise their employer to make contributions to a different fund if they wish. The employer can contribute to their default fund only if the employee has no stapled fund or has not chosen a fund.

Minimum pension drawdowns

In response to the current environment, the Government has announced a number of measures to help minimise the impact of current economic conditions on retirees. One measure is the temporary halving of the minimum that you must draw from your super pension each financial year.

The reduction applied for the 2019/20, the 2020/21 financial year and has been extended to the 2021/22 financial year.

Age	Default minimum drawdown rates	Reduced minimum drawdown rates for 2019/20, 2020/21 and 2021/22
Under 65	4%	2%
65 to 74	5%	2.5%
75 to 79	6%	3%
80 to 84	7%	3.5%
85 to 89	9%	4.5%
90 to 94	11%	5.5%
Age 95 or more	14%	7%

Changes to self-managed super funds

From 1 July 2021, the maximum number of members allowed in new and existing self-managed super funds (SMSFs) and small APRA funds has increased from four to six. Before making a decision to add members to your SMSF you should consider the advantages and disadvantages that may impact you.

Advantages of adding members to an SMSF

- Allowing larger families to include more or all their family members in a single SMSF, rather than having multiple SMSFs (which would incur extra costs) or using other super funds such as retail super funds.
- Potential cost savings in the administration of the fund (depending on the size of investments).
- Allowing the fund to have more purchasing power and diversify their investments.
- Helping with liquidity issues eg meeting minimum pension requirements, financing borrowing arrangements via LRBAs.
- For funds that hold reserves, reducing the time needed to reduce the reserve balance (ie allocate it to member accounts) without exceeding the members' concessional contributions caps.

Disadvantages of adding new members to an SMSF

- Trustee decisions must be made in the best interests of all beneficiaries - more beneficiaries mean there are more interests to consider.
- An increase in the number of members across potentially a larger range of age categories may result in some members having different risk profiles requiring different investment strategies, which could change over time. This could bring greater complexity and administrative issues.
- With six member funds, if something goes wrong, the ATO administration penalties apply to each of the six individual trustees. This can result in penalties of up to six times that of a corporate trustee.
- The existing trustees /directors risk being 'out-voted' in the running of the fund without adequate controls. There would be a greater need to develop a workable dispute resolution process for the fund and have it documented in the trustee deed/ or constitution of the corporate trustee. For example, who's going to be making decisions? How could you ensure the right people are making decisions? What happens if one member loses mental capacity? What happens if you don't like one of the members? Can you get rid of them?

If you have any questions about the recent changes to super, please contact us.

Staying safe from scams

If lockdowns and travel bans weren't enough to deal with, the global pandemic has also provided fuel for a significant increase in another kind of threat altogether – scams.

For large parts of the past 18 months people have been forced indoors – and as they left the outdoors behind, online activity naturally increased.

Whether it was working from home, looking for investment opportunities to make the most of the money that wasn't being spent on travel, or seeking friendship or romance, a lot of day-to-day activity has been redirected online, which has provided even more opportunity for the criminal scammers out there.

The true cost of scams

Scamming is literally big business. In days gone by you may have been correct in thinking online scammers were individuals working from their dark basement but, the reality today is that many scams are conducted by big, sophisticated businesses with CEOs, CFOs, tech support, salespeople and high-rise offices.[1]

Scamming is very serious business. In 2020, the ACCC reported that Australians lost over $851 million to scams and made almost 450,000 scam reports to the government website for scam reporting, Scamwatch. Of the $851 million losses that were reported, its estimated that real losses are significantly higher. After all, you can understand the embarrassment of having to admit you've been scammed. Some people simply prefer to try to forget all about it.

1 'Proceed with caution', Dave Jacob, Security Operations Manager, ADITS. gemcell.com.au, June - July 2021.

Common types of scams

In order to minimise the chances of being a 2021 statistic, it's important to be aware of some of the common scams out there.

Investment scams ($328m reported in 2020)

This type of scam persuades you to part with money on the promise of a financial opportunity.

Dating and romance scams ($132m reported in 2020)

A confidence trick by which someone feigns romantic interest to ultimately get the other party to part with cash, card details or gifts.

Payment redirection scams ($128m reported in 2020)

Fraudsters change the bank details on invoices and get money owed to a legitimate company, paid into a fraudulent account; and as soon as the money lands into the fraudsters account, it's skimmed off-shore.

Shopping scams ($66m reported in 2020)

Scammers set up fake retail websites that look like the real deal. Once a purchase is made, the chances of you ever receiving anything you've ordered are slim to none. These can include fake online pharmacies that will never send you the goods, or websites offering 'miracle cures' for conditions.

Threat-based scams ($11.8m reported in 2020)

Hackers send threatening emails or messages demanding money if you don't comply with their orders.

Remote access scams ($8.4m reported in 2020)

Hackers convince people to give them access to their computer by pretending to be from a reputable company for example, a bank or internet provider, and creating a reason why you need to go online. In addition, the pandemic has seen a rise in 'phishing' attacks. Phishing occurs when an email purporting to be from a reputable organisation is received and a link in the email is clicked on. This can load a virus onto the users device, providing a scammer with access to everything on your computer, including your photos, copies of personal documents, bank details and more.

Keeping safe from scams

1 Always be aware that scams exist – **be alert at all times**.

2 **Only click on an email link which you're 100% certain is safe** (check the sender address – it should always match the business's website address, and look for spelling mistakes or poor grammar), and never open attachments unless you're certain they are genuine.

3 Only click on a link in a text message if you're certain it's genuine. Messages from businesses purporting to have a sale on or delivery information for a parcel you have no knowledge of ordering can all be scams.

4 If online dating, **be wary of requests for money after a quick escalation in the relationship**. Be careful if things seem 'too good to be true' or people are reluctant to communicate face-to-face via video. Do a Google image search of the profile picture used. Drag the picture onto your desktop, and then onto the Google search bar to see if it's used elsewhere.

5 **Do not respond to unsolicited phone calls that ask for any personal details, or request access to your computer** by remote access software. Even if they tell you you've been hacked. Hang up immediately. Call the company back via a number you know is theirs, not a number given to you by the person who's made the call.

6 **Do your research when online shopping**. If you find a new online store, search for reviews before placing an order.

7 **Be wary of requests for unusual forms of payment**. If a store won't accept a normal credit card payment and instead asks for payment in gift card or virtual currencies such as Bitcoin, it could be a fraudulent site.

8 **Never give any details about yourself to anyone or any business you don't know and trust.**

9 **Always beware of investment opportunities that seem 'too good to be true'**. Even if they seem to be from a reputable company, always follow up via the company's own website – not via a link on another site or in a brochure.

For more information on keeping safe online and avoiding scams, the Government's Scamwatch site is an excellent resource: www.scamwatch.com.au.

Investment scams are rife and, in a world of low-interest rates, any opportunity to earn interest or generate returns can seem appealing.

If you come across a new opportunity, particularly one that offers above - average returns, please do your due diligence on the opportunity and the company offering it to you. Never rush into anything and seek advice from your financial adviser before proceeding.

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