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FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE



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Has Your Superfund Got You Covered for Insurance? With COVID-19, Maybe Not



From 1 July 2019, the government adopted new rules that aim to prevent the unnecessary erosion of people's retirement savings through inappropriate insurance arrangements.

As part of the rules, super providers, excluding SMSFs and small APRA funds, are unable to provide insurance by default when an account has been inactive for more than 16 months. Generally, a member holds an inactive super account if the account has not received any contributions or rollovers for 16 months or longer.

From 1 April 2020, additional rules were introduced to stop super providers automatically providing insurance cover on an opt-out basis to members where:

- a new member is aged less than 25 years old
- the member holds an account with a balance below \$6,000.

However, the dangerous occupation exemption recognises that certain occupations carry a higher degree of risk, such as (but not limited to) emergency service workers.

This exemption allows trustees to continue to provide insurance on an opt-out basis where:

- the member is employed in a dangerous occupation
- it is reasonable to expect that the contributions paid into the product will be for the members employment in that occupation, and
- the fund trustee has notified APRA in writing that the exception will apply to the product and the election is in force.

Prior to those changes coming into effect, most super funds (other than SMSF's and small APRA funds) automatically provided life and TPD Insurance cover to members upon joining the fund. Some of those funds also automatically offered income protection insurance as default insurance and required a member to opt out if the member didn't deem it necessary for them.

Under the new rules, if a member with an inactive low balance super account (below \$6,000) in a large

APRA regulated super fund wants to keep their insurance, they will need to tell the super fund (that is, ask for the insurance to be provided) or contribute to that super account. If no action is taken, their insurance will be cancelled automatically, and the members super account will be transferred to the ATO to protect their account from fee erosion.

COVID-19 impact on insurance cover

As part of its economic response package to the COVID-19 pandemic, the government implemented a new temporary measure to allow individuals affected by COVID-19 to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21 (further extending deadline to apply for this last option).

Given the recent changes to insurance arrangements for members of large APRA-regulated funds, the new early release measures could see some of those members losing their income protection and life & total permanent disability insurance cover if they fully withdraw or end up with a super balance that drops below \$6,000.

Many people are also at risk of having their insurance automatically cancelled if their large APRA-regulated fund account(s) is considered inactive because they are unable to contribute for a continuous period of 16 months as a result of financial stress due to the coronavirus pandemic.

Given insurance cover inside superannuation is a secure way of protecting fund members against the financial strain that serious illness, injury or death can cause, it is crucial for people who intend accessing their super early to consider the impact on their insurance and be aware of the implications before withdrawing.

Early Release of Super Extended



For individuals affected by the adverse economic effects of COVID-19, the government has temporarily allowed eligible individuals to access their superannuation early and tax-free. The government is extending the application period for the measure from 24 September 2020 to 31 December to increase the scope for individuals who may still be financially impacted by COVID-19 to access early release in the

coming months. Eligible Australian and New Zealand citizens and permanent residents were able to access up to \$10,000 of their superannuation before 1 July 2020. They can access a further \$10,000 until 31 December 2020. Source: Butler Settineri

3 things to think about before accessing super early

1. Other types of financial support that you could access now.
2. The long-term impact on your retirement savings.
3. How your insurance cover may be affected.



To help you make informed decisions, it's important you're aware of all your options and think about your short and long-term financial needs.

1. What extra financial support might be available to you at this time?

The Government is providing financial assistance to Australians impacted by COVID-19 through income and household support payments. Many banks and utilities companies are also putting additional financial hardship support in place to help people get through.

Some places to check are:

- [treasury.gov.au](https://www.treasury.gov.au) – Coronavirus support for individuals and households
- your bank – some banks are offering to suspend repayment up to six months for home loans, personal loans and credit cards
- state governments and [tenancy boards](#) can offer information on rent relief and your rights
- Utility companies – speak to your electricity and gas providers' financial hardship department, as you may be able to set up a payment plan during this time.

2. Considerer the long-term impact on your retirement savings

Super is a long-term saving scheme. It works well because by keeping your money invested it earns compound interest, which is essentially 'interest' on your 'interest'.

3. Check if your insurance will be impacted

Insurance is an important part of most member's overall financial security. If you want to maintain your insurance cover, check you have enough money in your super account to keep paying insurance costs after you have accessed your super. If you withdraw your full balance, your super account will close and any insurance cover you have through your super, will cease.

Can I claim Income Protection benefits if I've lost my job?

Income Protection doesn't apply to loss of income from business closure or lack of shifts. Income Protection can only provide monthly payments to help you get by if you become ill or injured (at work or outside work) and can't work temporarily.

Source: Australian Super

Remote AGMs and Document Signing Allowed

Companies should note that the government made a determination just before the end of the financial year that permits



companies to hold annual general meetings by electronic format. Also, companies may execute a document, without using a common seal, by electronic communication. The determination is to be repealed on 6 November 2020.

Annual General Meetings

Due to public safety concerns related to COVID-19, until the date above companies will be permitted to hold their annual general meeting in electronic format. This will include processes that precede and are involved with the meeting. Among other things, the provisions state that:

- all persons entitled to attend the meeting must be given a reasonable opportunity to participate without being physically present.
- all persons participating electronically are taken to be present at the meeting.

- a vote taken at the meeting must be taken on a poll, and not by a show of hands.
- a proxy may be appointed using one or more technologies specified in the notice of meeting.
- a notice of meeting may be given, and any other information to be provided with a notice of meeting, or at or in relation to a meeting, may be provided, using one or more technologies to communicate to those entitled to receive notice of the meeting:
 - the contents of the notice and the other information; or
 - details of an online location where the notice and the other information can be viewed or form where they can be downloaded.

Executing Documents

A company may execute a document without using a common seal if each of the specified persons:

- signs a copy or counterpart of the document that is in a physical form; or
- a method is used to identify the person signing in the electronic communication and to indicate the person's intention in respect of the contents of the document and the method:
 - is as reliable as appropriate for the purpose for which the company is executing the document, in light of all the circumstances, including any relevant agreement; or
 - is proven in fact to have fulfilled the functions described in the above point, by itself or together with further evidence.

Source: Butler Settineri

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