



Notice for Transition to Retirement option members with Cbus Self Managed investments

Important changes to income stream accounts and Cbus Self Managed investments from 1 July 2017

The Government has introduced significant changes to income streams from 1 July 2017. This notice will help you understand how these changes could affect you and whether you need to act.

Note: At the time of writing some legislation surrounding the changes had not yet been finalised. This letter represents our current understanding of the changes and how they will be applied. If the legislation or our understanding of it changes, we may need to adjust the approach outlined below without contacting you first.

Investment earnings are taxed unless you're fully retired

Investment earnings on all income stream accounts are currently tax free, but from 1 July 2017 these will be taxed at up to 15% for transition to retirement income streams.

This tax doesn't apply if you have met a condition of release (such as retirement) and you can, therefore, move to our Fully Retired option. So, if you've met a condition of release but haven't told us, you must do so before 16 June 2017 or your investment earnings will be taxed.

If you're still working, keep in mind this tax is only on the earnings from your investments. So, if you have \$50,000 in the Transition to Retirement option and earn \$1,000 from your investments next year, you would pay up to 15% on these earnings (that's \$150). This tax is not paid from your account balance – it's deducted from your investment earnings before they are applied to your account.

Once you turn age 65, we will automatically transfer your account to our Fully Retired option. New retirement account limits apply – see below.

Changing your Cbus Self Managed and standard investment options

Because of these changes, Cbus has determined that the Cbus Self Managed investment option will no longer be available for Transition to Retirement income streams from 16 June 2017. This means you can no longer have Cbus Self Managed assets in your income stream. We called affected members recently to discuss the options.

If you don't confirm your choice, we will automatically sell your Cbus Self Managed assets and transfer your money into the Conservative Growth investment option.

Alongside this, the money you currently have invested in standard Cbus investment options will be transferred to new taxed investment options from 1 July 2017. These will be the same range of investment options, with minor changes to allow for the tax. Read the *New investment options from 1 July 2017* fact sheet available from www.cbussuper.com.au/forms.

The money you have in standard Cbus investment options will be automatically transferred to the equivalent option in the new range.

New retirement account limits

The Government is also limiting the amount of super you can take into tax-free retirement accounts (like our Fully Retired option) to \$1.6 million from 1 July 2017. This is called your transfer balance cap and will be indexed in future years.

This limit doesn't apply to the Transition to Retirement option – you can invest as much as you want while you're in this option. However, the limit will apply when you move into a tax-free retirement account like the Fully Retired option.

This is the limit across all of your retirement accounts – with Cbus and any other super funds. If you have more than one, you'll need to add up your balances for each and ensure you don't reach the transfer balance cap. Tax penalties apply if you exceed the cap from 1 July 2017 and any amount over the limit will need to be withdrawn or transferred to a super account.

If you have retirement accounts outside of Cbus that could mean you exceed the cap you should get advice about the penalties that may apply and your options.

Changes to your Trustee Operating Cost

Alongside the Government changes, the Trustee Operating Cost (TOC) charged for all income stream accounts (whether you are invested in the Cbus Self Managed option or standard Cbus investment options) will increase by an estimated 0.04% per year from 1 July 2017.

TOC is one of the costs deducted from your investment earnings before a final amount is applied to your account. It forms part of the indirect cost ratio for each of the standard Cbus investment options and the asset based fees for the Cbus Self Managed option. It covers the costs of running and operating Cbus.

Based on our projection, the TOC will increase from 0.03% per year to 0.07% per year for 2017/18. This means if you had \$50,000 in your income stream account in the 2017/18 financial year, a TOC of 0.07% would be paid for that year. That means you'll pay \$35 (an increase of \$20 from 2016/17).

The TOC is reviewed each year and can range up to 0.25% per year.

What else is changing from 1 July 2017?

The Government has introduced a number of other changes that could affect super and income streams from 1 July 2017. These are significant changes that could affect the tax you pay. To find out more visit www.cbussuper.com.au/super-changes.

We're here to help

You don't need to work things out alone. If you need advice about your income stream, you can speak to one of our qualified financial advisers over the phone – this service is included as part of your Cbus membership. And for more comprehensive advice, the team can refer you to an accredited Certified Financial Planner who can offer you advice on a fee-for-service basis.

Visit www.cbussuper.com.au/getadvice for more details.

More information

If you have any questions, please call us on **1300 361 784** (8am to 8pm AEST/AEDT weekdays), email us at cbusenq@cbussuper.com.au or visit us online at www.cbussuper.com.au.