Notice for Transition to Retirement option members

Important changes to your income stream account 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 15 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.

Your account will be transferred to taxed investment options

If you continue with the Transition to Retirement option, on 1 July 2017 the money in your account will be transferred to new taxed investment options. 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**.

Your account will be automatically transferred to the equivalent option in the new range.

When can you move to the Fully Retired option?

You can move to the Fully Retired option if you confirm you've met a condition of release such as:

- retiring after reaching your preservation age,
- ceasing an employment arrangement after turning age 60, or
- turning age 65.

You can make your declaration by completing the *Change your income stream details* form available from **www.cbussuper.com.au/forms**. Before you send us your form, make sure you consider the financial and Centrelink implications of your declaration – talk to us if you need help.

In some circumstances (e.g. turning age 65) we may move you automatically to the Fully Retired option without your instruction. We will let you know before this happens.

If you retire and return to the workforce in future, or continue in the workforce after age 65, any super contributions must continue to be paid into a super (accumulation) account.

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**.