Quick Facts

Federal Budget 2018–19

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Federal Budget super update

Construction & Building Industry Super

Quick Facts

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All the changes announced are what the Government plans to do.

No changes are law and none are implemented purely off the back of being presented in the Federal Budget.

Before making any decisions, you need to check whether any of these announcements have become law.

The 2018–19 Federal Budget launched on Tuesday 8 May 2018 and was widely reported as an early start to the Government's pre-election campaign.

This fact sheet is a summary of some of the proposals for Cbus super members, income stream members and our employers.

For working people

Reduce access to default insurance for a range of people

The Government plans to remove people aged under 25 from default insurance arrangements with their super fund. From 1 July 2019, they plan to make younger workers actively choose to have insurance cover. Similarly, the Government intends to exclude default insurance where a person has $6,000 or less in their account. They also plan for cover to lapse once a person hasn't received contributions for 13 months (unless instructed otherwise).

There are likely to be unintended consequences from the Government's one-size-fits-all plan for insurance, given the very real impact on the hundreds of thousands of people who trust Cbus to protect them with appropriate levels of cover.

Our members work in some of the most hazardous of occupations in the construction and building industry, with more than 12,600 serious industry claims over five years.* If these changes go through, it will result in fewer workers having a financial safety net should tragedy strike.

It's Cbus' experience that most members typically have dependants, debts and responsibilities three to four years after they start work around age 18. For members aged between 21 and 25, over 70% of their insurance claims are paid to their dependants, showing the importance of cover that protects families.

Remove the ability to charge exit fees

From 1 July 2019, the Government wants to ban all exit fees on super accounts.

Cbus will always actively support any effort to stamp out excessive fees. But charging a fee that's appropriate to the cost of a transaction is important to maintaining financial sustainability for the benefit of all members. Cbus works hard to strike a balance between harnessing our size and scale that allows us to have low fees, while honouring a 'user pays' system to recover the cost of transactions.

Placing a limit on fees for members starting out

This plan is to place an annual 3% limit on the investment and administration fees than can be charged to a super account of less than $6,000 from 1 July 2019. Cbus is proudly run to benefit our members and already has low fees. And we're working on lowering fees even more, particularly with innovations in how we manage investments.

Transferring accounts to the ATO without instruction

From 1 July 2019, accounts with less than $6,000 that haven't received contributions for 13 months would be transferred to the ATO according to the Government's plan. The ATO will then attempt to transfer this into a person's active super account. If unable to do so, the ATO will hold this money until they are able to link it back to an individual, which would only earn a low rate of interest.

Cbus is concerned that our members often have broken work patterns that deliver periods of false inactivity. Similarly, while past investment performance is not a guarantee of future performance, we're mindful that our long-term investment performance is higher than the earnings the ATO would apply to any super accounts they hold.

* Safe Work Australia: Key Work Health and Safety Statistics Australia 2017

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For older and retired people

Less restrictions to catching up

The Government plans to relax the limits on contributions for people aged 65 to 74 for a limited time. From 1 July 2019, these people will be able to make after-tax contributions to super without having to be in the workforce. This would be available to people who have less than $300,000 saved in super. Anything to help people to prepare for a better retirement is whole-heartedly supported by Cbus.

Adjustments to existing benefits

After years of limiting access to and reducing the real value of the Age Pension, the Federal Budget proposes some measures to assist older people in retirement, including:

- Allowing a person to earn up to $300 a fortnight before this income reduces their Age Pension payments (currently $250 a fortnight).
- Expanding the people who can use the value of their home to borrow money from the government. A retired couple would be able to borrow up to $17,800 each year. This is currently available to people who receive less than the maximum Age Pension payment and isn't available to self-funded retirees.

'Whole of life' retirement products

The Government will compel super funds to offer a 'whole of life' income product to retiring members. The plan is to encourage people to take up an annuity-style product that provides certainty of income in later life, but offers much less flexibility in the initial stages of retirement. For many Cbus members, the Age Pension already provides this retirement income safety net, where they aren't required to pay for certainty of income.

For businesses

While there are no direct changes that affect the payment of super for employees, it's worth noting the following.

Eligibility for instant tax write-offs

The Government plans extend the instant tax offset into the 2018–19 financial year. Businesses that turnover less than $10 million each year would be able to immediately write off expenditure of up to $20,000.

Other changes of interest

While not directly related to super, these planned changes are likely to have a broad impact.

Tax cuts galore

It's hard to argue against plans to give tax relief for millions of workers who have endured record low levels of wage growth for many years now. And elements of the Government's seven-year proposed personal tax plan do effectively target help to lower income earners. But some political commentators have observed that there's potentially three Federal elections between now and the end of that seven-year period when the Government's tax plan would be complete– that's a long time in politics!

Rolling infrastructure investment

The Government announced $24.5 billion in funding for new major infrastructure projects across all states and territories. The following investments form part of the Government's overall $75 billion transport projects and initiatives plan for the next ten years:

- New South Wales: $1.5 billion
- Queensland: $5.1 billion
- Northern Territory & Australian Capital Territory: $0.48 billion
- South Australia: $1.7 billion
- Tasmania: $0.8 billion
- Victoria: $7.7 billion
- Western Australia: $2.7 billion

Cbus members literally build the nation and we welcome the jobs for our members that infrastructure investment should herald.

More information

Full details on the 2018–19 Federal Budget are available from **www.budget.gov.au**