



# Federal Budget 2020-21 Quick facts

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Federal Budget  
super update

# Quick Facts

## Federal Budget 2020-21



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.

## After a five-month delay due to the impacts of COVID-19, the 2020–21 Federal Budget was released on **Tuesday 6 October 2020**.

Billed as a plan to lift Australia out of recession by boosting consumer and business confidence and creating jobs, the Budget confirmed the country's largest-ever deficit of \$214 billion.

The announcements also included some significant changes to super. Under the proposals, members' super could follow them when they change jobs, a new super comparison tool is mooted, and if a super fund performs badly members would be told and the fund could be shut down.

This fact sheet outlines some of the key proposals and how they could impact Cbus super members, income stream members and our employers.

## If you're working

### Your super could follow you to your next job

The Government proposes that from 1 July 2021, members' existing super funds be 'stapled' to them and follow them from job to job.

While Cbus agrees that measures to tackle multiple unwanted accounts and unnecessary fees are needed, we're concerned that the Government's proposed approach will mean that people in building, construction and allied industries will lose the many important benefits of a fund that's tailored for them, including insurance.

Cbus insurance is designed for the work our members do and covers jobs that other super funds may not (such as working at heights). Our members would find it difficult to get insurance that covers their work elsewhere at a reasonable price, if at all.

The current default arrangements with key building and construction employers ensure that workers joining the industry for the first time, or changing jobs, don't miss out.

### New online tool to compare and choose super funds

The Government plans to introduce a new online tool, YourSuper, which will rate and compare some super funds. It's also expected to allow you to choose between funds on that basis.

Cbus supports tools that help members make good decisions about which fund is right for them. However, at this stage it's not clear:

- if YourSuper will cover all funds and products
- if you'll have to use the tool to choose a super fund
- how the information will be presented, or
- if additional member benefits, such as insurance through super, will be taken into account as part of the comparison.

### Measures to tackle underperformance

The proposals also include new annual benchmarking tests for super funds.

Funds who fail the test would need to tell their members and give them the option to choose a new fund. Those that fail two years in a row would be banned from taking on new members until they show in subsequent years that they've improved sufficiently.

From July 2021, it's planned the test will only cover MySuper products (simple default funds with lower costs and basic options), and be extended to other products from July 2022. It's not yet known if it would capture all super funds and products.

Cbus is one of Australia's top performing super funds, and our Growth (Cbus MySuper) option has returned an average of 8.98% each year for the past 36 years.\* We understand the importance of generating strong long-term returns for our members, and are keen to see funds that don't perform called out.

\* From inception in 1984 to 30 June 2020. The average annual return is based on the crediting rate, which is returns minus investment fees, taxes and until 31 January 2020, the percentage-based administration fee. Excludes administration fees and insurance costs. Past performance is not a reliable indicator of future performance.

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### Financial accountability and transparency of super funds

Under the sole purpose test, all super funds are already required to act in their members' best interests. The Government now plans to clarify that funds must act only in members' best *financial* interests. This will include requirements for funds to disclose more details about how they manage members' money ahead of annual member meetings.

Cbus operates only to benefit our more than 770,000 members, with all profits going back to them, not shareholders. We already have rigorous processes in place to ensure that everything we do supports the the financial wellbeing of our members, to help them be better off in retirement.

We welcome greater scrutiny on funds that don't take their financial responsibilities to members as seriously.

### No announcement on super increases

The Government didn't change the previously legislated schedule for increases to compulsory super.

Currently at 9.5%, the rate is due to increase to 10% from 1 July 2021, climbing to 12% by 2026. This will provide a much-needed boost to members' super accounts – and ultimately their life in retirement – following a year when many were forced to tap into their savings.

### Tax cuts to be brought forward

In a bid to stimulate household spending, personal income tax cuts planned for mid-2022 are to be backdated to 1 July 2020, including changes to tax brackets and tax offsets for those on lower and middle incomes.

## If you're in or nearing retirement

### No extension to temporary cut in minimum drawdown rates

The Government confirmed there would be no further extension to the temporary reduction to minimum drawdown requirements for account-based pensions (like the Cbus Super Income Stream).

The law requires members to draw a minimum income from their accounts each year. This minimum was halved for the 2019-20 and 2020-21 financial years in response to COVID-19 and investment market volatility.

### Cash payments for pensioners and welfare recipients

Following on from the two \$750 COVID-19 payments provided earlier this year, people receiving the age pension (as well as those on carer, family and disability welfare payments) will receive an additional \$500.

The money will be paid in two instalments of \$250 – the first in December and the second in March.



### Support for aged care

The Government proposed to invest \$1.6 billion to fund an additional 23,000 home care packages to enable more older Australians to receive care and support services in their own homes.

Additional funding is planned for training aged care workers and to implement measures to respond to serious incidents being reported by the Aged Care Royal Commission, which is yet to release its final report.

### Capital gains tax exemption for granny flats

Granny flat arrangements for older Australians or those with a disability will be exempt from capital gains tax where there is a formal written agreement in place.

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## If you're an employer

### Setting up super for new employees

If enacted, the proposed changes to super default arrangements would significantly impact how employers would need to set up super for new employees.

When hiring new workers, you'll need to check with the ATO if the person already has a super fund and make payments into that account, unless they choose another fund.

This new obligation raises many questions for employers. For example, if a new employee has more than one super fund, it's not clear which fund you'll be required to make contributions to.

You'll only be allowed to pay into an account with your nominated default fund if the employee doesn't already have a super fund and doesn't choose a different fund.

### Some incentive to hire younger workers

With the unemployment rate forecast to peak at around 8% in the December quarter and stay above 6% until mid-2023, the Government plans to introduce a new JobMaker scheme of cash credits to encourage businesses to take on young people who are out of work.

Under the scheme, employers who create new jobs for workers under 35 would receive payments over the next year: \$200 a week for workers under 30, and \$100 a week for those between 30 and 35.

The Budget also included \$1.2 billion to subsidise up to half the wages of 100,000 new apprentices and trainees, which would give eligible businesses up to \$7,000 a quarter until 30 September 2021.

## Investment in building, construction and infrastructure

The Government announced funding to support building, construction and infrastructure projects, including:

- \$7.5 billion for road and infrastructure projects, to be distributed across all states and territories with money going to those who are ready to start sooner.
- \$1 billion in low-cost financing to help build more affordable housing.
- Expanding the home loan deposit scheme to allow up to 10,000 more first home buyers to get a loan to build a new home or buy a newly built home with a 5% deposit and no lenders mortgage insurance. The value of eligible properties will also be increased.
- \$4.5 billion to extend the NBN and take fibre to the home for more dwellings.

### Instant tax write-offs

Until 30 June 2022, Australian businesses with a turnover of up to \$5 million will be able to immediately write-off the full cost of eligible assets.

Losses incurred can also be offset against prior profits made in or after the 2018-19 financial year.

## More information

Full details on the 2020-21 Federal Budget are available from [budget.gov.au](https://budget.gov.au)



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