

Government moves to tighten protections in super



Around 11,000 Australians invested about \$1.1 billion of their retirement savings in the Shield and First Guardian Master Funds. These two managed investment schemes collapsed, costing investors their savings. Some investors have been compensated by their platform provider. However, many have not. The Government recently set out several changes to super to help protect members' retirement savings. Let's look at some of the proposed changes.

Watch for a cap on advice fees taken from your super

Your super fund cannot deduct personal advice fees from your account without your written consent. However, the law does not limit how much can be deducted where there is written consent. APRA-regulated

fund trustees would have to set caps on how much may be deducted and keep watch that these caps are not breached. The Government is particularly concerned about people with small super balances paying fees that substantially erode their savings.

Expect much larger penalties for trustees of APRA-regulated super funds

The Government does not believe the current penalty level is large enough to deter APRA-regulated funds from breaches. The maximum civil penalty for core breaches of an APRA-regulated fund trustee's obligations would rise from 2,400 penalty units to 50,000 penalty units. From 1 July 2026, a penalty unit is \$364. On that basis in dollar terms the maximum penalty would rise from about \$873,600 to about \$18.2 million.

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ASIC to get more powers

ASIC would also be able to direct an APRA-regulated fund trustee to compensate members if an investment option fails and the trustee has not met its obligations. This would be a faster and easier option for investors compared to complaining to AFCA.

Know what is changing for SMSFs

Several changes are proposed if you have an SMSF or are thinking about setting one up.

- » The ATO would be able to block rollovers into a new SMSF while it investigates fraud, financial abuse or misconduct, or where it suspects potential harm. The ATO can already stop rollovers in practice by withholding new SMSFs' details from Super Fund Lookup. This new power would allow the ATO to stop rollovers even after the fund is registered and listed.
- » Trustees would have to complete trustee education before registration. At present it is only necessary to sign a declaration confirming you understand your duties. There is no obligation to do any prior learning about your obligations as a trustee.

- » Your fund would need a uniquely identifiable bank account. Treasury has not said what that would require in practice.
- » New funds would need a written investment strategy from the start. The current rule is that SMSFs must have an investment strategy that is reviewed regularly. The changes would require the investment strategy to be in writing and in place from the start of the fund.
- » The ATO would collect more information about advisers and others involved in setting up your SMSF, and about ongoing advice fee deductions.
- » The supervisory levy would rise from \$259 to \$295, and new funds would pay their first levy when they are set up.



REMINDER

These measures still need to be legislated, so the detail and the start dates could change.

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