

Transfer Balance cap

Product Disclosure Statement



The information in this document forms part of the *Club Super Product Disclosure Statement (PDS)* issued 13 August 2018. This document is called *Club Super Additional Information – Transfer Balance Cap* and is not attached to the *Club Super PDS*. If you would like a copy of the *Club Super PDS*, go to our website to download a copy, or contact us.

Club Super's *Additional Information – Transfer Balance Cap* was prepared and issued on 13 August 2018 by Club Plus Qld. Pty. Ltd. (ABN 30 010 892 396), the Trustee of Club Super (ABN 12 737 334 298). If you want more information about Club Super you can contact us on **1300 369 330**, or visit **clubsuper.com.au**. If you request further information, the Trustee of Club Super will provide all the information that it reasonably believes you may require to make an informed assessment of the management and financial condition of Club Super, including its investment performance.

About Club Super Additional Information - Transfer Balance Cap

This Additional Information document provides you with other information about Club Super, including;

- What happens if I exceed the transfer balance cap?
- What happens if I make more than one transfer to a RI account?
- What is my transfer balance account?
- What happens if I convert (commute) part of my RI accounts to a lump sum?
- What happens if I die?

From 1 July 2017, the Government introduced a \$1.6 million 'transfer balance cap', which limits the total amount of superannuation savings that can be transferred from accumulation phase into a tax-free RI account. This cap applies to the total value of your superannuation accounts across all Funds, not per Fund.

Another of the Government's initiatives was to remove the tax free earnings on Transition to Retirement (TTR) accounts from 1 July 2017. As earnings on TTR accounts are no longer tax free, transfers to TTR accounts will not count toward the transfer balance cap.

The \$1.6 million transfer balance cap will be indexed annually with CPI but will only increase in \$100,000 increments.

It should be noted that the transfer balance cap applies to people who already held a RI account at 30 June 2017, as well as those people who commence a RI account after that date.

Provided your RI account was under the \$1.6 million transfer balance cap at 1 July 2017, any subsequent income or growth that you earn in a RI account does not count toward the transfer balance cap. Also, earnings in a RI account remain tax free.

What happens if I exceed the transfer balance cap?

If your RI account exceeds \$1.6 million, you will be required to transfer the excess amounts (plus excess earnings) out of your RI account. This may be a transfer back to an accumulation account, or a withdrawal from the superannuation system. However, please note you will be liable for excess transfer balance tax. From 1 July 2018, the tax rate is 15% of notional earnings on the excess capital for the first breach and then 30% for subsequent breaches.

What happens if I make more than one transfer to a RI account?

Additional transfers are permitted to a RI account if you set up more than one RI account, with any subsequent transfers subject to available cap space, calculated on the proportional method outlined below. For example, if you transfer \$800,000 into a RI account in one financial year, you will have used 50% of the transfer balance cap. If the transfer balance cap is subsequently indexed to \$1.7 million, you have 50% of the indexed transfer balance cap still available to use (\$850,000) for any subsequent transfers to set up another RI account.

What is my transfer balance account?

Your 'transfer balance account' reflects the value of your RI accounts (across all Funds) commenced before or after 1 July 2017, including death benefit RI accounts, whether you are a reversionary beneficiary or not, plus any earnings on any amounts above the transfer balance cap.

The transfer balance account is used to track your position against the transfer balance cap. The Australian Taxation Office (ATO) will be maintaining records of each person's transfer balance account, and can inform you of the level of your transfer balance account, upon request.

What happens if I convert (commute) part of my RI accounts to a lump sum?

In the event that you convert (commute) part of your RI account to a lump sum, your transfer balance account will receive a 'debit'. This amount, plus any unused cap space, may then be used to purchase a new RI account.

Associated with this, from 1 July 2017, the Government prevented partial lump sum payments from satisfying minimum annual income stream requirements.

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What happens if I die?

In the event of your death, your transfer balance cap ceases to exist. If your surviving spouse or eligible other dependant receives a death benefit RI account, they will have the value of the death benefit RI account added to their transfer balance account. If this causes the surviving spouse or eligible other dependant to exceed the transfer balance cap, the requirement to revert their RI account levels below the transfer balance cap still apply, with timeframes outlined below.

In the case of a death benefit paid as a RI account to a reversionary beneficiary, they have 12 months to revert their RI account levels below the transfer balance cap.

In the scenario where a death benefit RI account is paid to a child, their transfer balance cap is based on the value of the income stream at commencement. In the case where the child is permanently disabled, the death benefit income stream can continue indefinitely, and is assessed against their cap. In the case where the child has no disability, they must convert (commute) the pension upon reaching age 25, at which point their transfer balance account is reset. If that child in later life commences another RI account, the standard transfer balance cap and transfer balance account arrangements will apply.

Transfer balance cap arrangements are complex. If you require further information, please contact Club Super on 1300 369 330, or you may wish to seek advice from a licensed financial adviser.

Contact details for Club Super

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General Advice Warning

Club Super Additional Information – Transfer Balance Cap contains general information only. It is not intended to contain any recommendations or statements of opinion or advice and it does not take into consideration your individual objectives, financial situation or particular needs. Therefore, before making a decision regarding your super benefits in Club Super, you should consider the appropriateness of any information provided in the *Club Super PDS* and this document. Club Plus Qld. Pty. Ltd. (ABN 30 010 892 396), the Trustee of Club Super (ABN 12 737 334 298) is Corporate authorised representative No. 268814 under Australian Financial Services Licence No. 238507 and is authorised to provide general financial product advice.