



Important update on super from Cbus

As the 2020 year comes to a close there is a great deal of noise and activity surrounding superannuation in the parliament, in the media, and some sections of the business community about making changes to our system that is held up as an example around the world.

New laws

There is draft legislation relating to super first announced as part of the Federal budget measures in October. Submissions were due before Christmas and Cbus will be working hard to ensure that our members' best financial interests are not ignored.

We are particularly focused on the government's proposal to staple people to a fund and we will be advocating on this very strongly on behalf of our members. We are concerned that this proposal may result in workers being stapled to a fund that does not offer appropriate insurance, leaving people working in high risk industries unprotected.

The Your Super, Your Future package can be viewed here:
<https://treasury.gov.au/consultation/c2020-124304>

Cbus intends to campaign hard as we have done successfully with previous bills before the parliament to do whatever we can to look after members' best interests.

Retirement Income Review

The government released the long-awaited Retirement Income Review – which reported on Australia's retirement income system.

The review looked at the three pillars of the retirement income system – the age pension, compulsory super and voluntary savings, including home ownership.

While the intention of the report was not to make recommendations, it contains observations and 'policy suggestions' that could form the basis of future government policy.

It's worth noting that the report refers extensively to the Cbus submission reflecting our strong evidence-based advocacy for our members. Unpaid super was also included in the report where our submission was highlighted. Together we ensured the voices of construction workers were heard in this report.

Cbus has a number of concerns about the observations and suggestions in the review as it relates to our members:

Superannuation Guarantee Increase

The report suggests Superannuation Guarantee (SG) should stay at 9.5% as increases in the SG rate result in lower wages growth and would affect living standards in working life.

There will be emergency circumstances where the benefits of giving people early access to their superannuation will exceed those of preserving balances for retirement.

We are concerned that the government may announce freezing or abandoning the legislated SG increases and leave the door open for more early release schemes in next year's budget.

Modelling does not reflect our membership

The averages used in the modelling in the report are based on assumptions that workers retire at 65, have no career break, pay super for 40 years, and have steady wage rises.

We know that this is not a typical Cbus member.

Due to interrupted work patterns and involuntary retirement, we know based on our modelling that our members are better off with the legislated SG increase.

Allowing early release of super in particular circumstances is also of concern as the purpose of superannuation could be undermined, and balances compromised, by more withdrawals such as those we saw under Covid-19.

Compulsory system

The review supported the need for compulsion.

The report acknowledged 17% of workforce that are self-employed are not covered by SG and generally have lower superannuation balances than employees (Cbus has twice as many self-employed members compared with the general population).

The family home

The report makes the point that the home is the most important component of voluntary savings and is an important factor influencing retirement outcomes.

Those who own their own homes have lower housing costs and an asset that can be drawn on in retirement. If the decline in home ownership among younger people continues, there will be an increasing number of retirees who rent. The system favours home-owners, such as the exemption of the principal residence from the Age Pension assets test.

More changes likely

We anticipate that components of this review will be used to make further changes to the superannuation system.

It's important that you know Cbus continues to be committed to achieving the best outcomes for our members through advocating on their behalf on any legislative change.



For more information about the Federal Budget and how some of the key proposals could impact Cbus super members read our factsheet here:

cbussuper.com.au/cs/budget-2020

Full details on the 2020–21 Federal Budget are available from budget.gov.au



Cbus – your award winning super fund



Cbus has been chosen for the *Money* magazine **Best of the Best Awards for 2021** in the following categories: Best Pension Fund (Cbus Super Income Stream) (2nd year in a row), Best Growth Pension Product (Cbus High Growth) and Best Moderate Pension option (Cbus Conservative Growth).

Visit cbussuper.com.au or call **1300 361 784** to find out more about what we offer for retirement.



Cbus
Locked Bag 5056
PARRAMATTA NSW 2124



1300 361 784
8am to 8pm (AEST/AEDT)
Monday to Friday



cbusenq@cbussuper.com.au
cbussuper.com.au



Visit Cbus in person in Adelaide, Brisbane, Melbourne, Perth and Sydney.
Details: cbussuper.com.au/contact

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Cbus' Trustee: United Super Pty Ltd ABN 46 006 261 623 AFSL 233792 Cbus ABN 75 493 363 262.