

## 1. What is the bring-forward rule?

Taking effect since 1 July 2017, the annual non-concessional (after-tax) contributions cap dropped to \$100,000 (for the 2017/2018 year), **although Australians under the age of 65 still have the opportunity to bring forward two years of non-concessional contributions.**

The bring-forward rule means that it is possible to make up to \$300,000 (for the 2017/2018 year) in non-concessional (after-tax) super contributions in a single financial year without exceeding the non-concessional contributions cap.

The bring-forward rule **allows an Australian under the age of 65** to make up to 3 years' worth of non-concessional contributions (NCCs) in one financial year, representing his or her annual cap over a 3-year period. The bring-forward rule is triggered when an individual under the age of 65 exceeds his or her annual NCC cap in a financial year, for example, say a person contributes \$240,000 in the first year and then they are permitted to contribute the balance of the \$300,000 bring-forward cap, that is \$60,000, over the following two years. After the bring-forward is triggered, that is, more than \$100,000 is contributed in NCCs in year 1, an individual can contribute any financial combination that adds up to a total of \$300,000 over the 3-year period. The one exception to this general rule is where an individual has a Total Superannuation Balance of more than \$1.4 million (see *SuperGuide* article [Super contributions: Bring-forward rule and your Total Superannuation Balance](#)).

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29th May 2018

Hon Scott Morrison MP / Treasurer  
Suite 102, Level 1  
30 The Kingsway  
Cronulla, NSW, 2230

**Re: Superannuation – Bring Forward Rule - Restriction on Over 65s**

Dear Treasurer,

I sent an email to your parliamentary office on 23<sup>rd</sup> April 2018 regarding the discriminatory impact of the attached rule on older Australians [i.e. 65 years and over], to which I have had no response to date.

To reiterate my point ... I understand the rule applying if your Total Superannuation Balance is more than say \$1.4 million given the 1.6M cap now in place ... but to restrict older Australians [who it could be argued are running out of time!] who have only modest superannuation balances is grossly unfair and inequitable. My situation is that I have a balance well short of the 1.6M cap. I am trying to build my superannuation [with non-concessional contributions] so I don't have to rely on a pension. I just don't get the lunacy of this rule. It seems the Government is shooting itself in the foot with this rule!

You can't continue to encourage older Australians to remain in the work force and at the same time saddle us with this inequitable and discriminatory rule.

Also, in support, I reproduce below an extract from comments made this morning by Productivity Commission deputy chair Ms Karen Chester in respect of the PC's Draft Report into Australia's Superannuation System.

*"The main objective of the super system in accumulation is to make sure that members retire with the biggest balance possible," Ms Chester said.*

Would you please consider this situation and make the necessary exemptions, amendments as a matter of urgency.

I would appreciate your response and advice.

Yours sincerely

Phillip Hudson



## Retirement nest eggs diluted by unnecessary fees and underperforming funds, Productivity Commission says

By Senior Business correspondent Peter Ryan

Posted Tue 29 May 2018, 4:55am

**Australia's superannuation system is "an unlucky lottery" for many members with retirement nest eggs being diluted by unnecessary fees and underperforming funds, according to an landmark study out today.**

A highly critical draft report by the Productivity Commission into Australia's \$2.6 trillion superannuation system has delivered a mixed report card warning that multiple super accounts and subpar funds that are "entrenched underperformers" are costing members \$3.9 billion every year.

One in four funds have "persistently" fallen short of the mark over the past decade, the report says, meaning around 5 million member accounts are being short-changed with a new member potentially losing \$375,000 by retirement.

The report by the Federal Government's peak economic advisor says by eliminating multiple accounts and switching to a better-performing fund, a 55-year-old could gain \$61,000 by retirement and that new entrant could build a \$407,000 retirement account by 2064.

Productivity Commission deputy chair Karen Chester said the architecture of the compulsory superannuation system introduced by Labor prime minister Paul Keating in 1992 is "outdated" and suffers from structural flaws.

"We're 27 years down the track from when compulsory super was introduced in Australia so it's time to modernise and time to get rid of these two fundamental flaws that are causing members great harm," Ms Chester told the ABC's AM program.

"While the system works reasonably well for some members, it's become an unlucky lottery that sets the odds against many members.

"The impact is highly regressive. It causes great harm to young people, workers on low incomes and workers in and out of the workforce. These are awkward truths that the industry needs to address."

The superannuation industry has been criticised for being on "a gravy train" since the early days of compulsory superannuation and has reaped billions of dollars in fees each year.

Ms Chester said that with a healthier population and retirees living longer, there was a risk that without reform some retirement funds could be drained, putting pressure on the aged pension entitlement.

"The main objective of the super system in accumulation is to make sure that members retire with the biggest balance possible," Ms Chester said.

"But if those balances are being eroded by these two problems — unintended multiple products and underperforming products and funds — then they're not going to retire with the biggest possible balances."

A key recommendation is that workers should be allocated a single default product from a "best in show" list when they enter the workforce to avoid multiple funds.

The report says around a third of accounts in the system are multiple accounts and erode members' balances by \$2.6 billion a year in unnecessary fees and insurance.

The report also recommends that employers lose their obligation to choose a default fund for their compulsory contributions given concerns that some employers might have a conflict of interest in managing worker nest eggs.

"It's an inevitable conflict of interest. Employers are meant to be looking after their business or their shareholders. They don't have a legal obligation to their employees," Ms Chester said.

## Do industry funds still outperform retail funds?

The report also questions the claim that industry superannuation funds always outperform retail funds and says that some industry funds are also among the underperformers.

"Industry funds on average have clearly outperformed retail funds over the past decade but unfortunately for fund members they don't all enjoy the average experience," Ms Chester said.

Ms Chester agrees that given the complex and confusing nature of superannuation, the industry needed to do a better job in communicating the need for better options with members.

"Members are really lost in the weeds of product proliferation with 40,000 products. They're bamboozled by poor disclosure and we know from ASIC [Australian Securities & Investments Commission] poor advice," Ms Chester said.

In addition to blasting the current system, the report touches on the controversial issue of insurance within superannuation which many members don't know they have.

"Not all members get value out of insurance in superannuation. Many see their retirement balances eroded — often by \$50,000 — by duplicate, unsuitable or even zombie policies," Ms Chester said.

The Commission also calls for stronger governance rules of funds, a recommendation certain to be jumped on by Financial Services Minister Kelly O'Dwyer, who has been pushing for an overhaul of trustees on industry funds to ensure a third are independent.

The financial services royal commission is set to examine the superannuation industry later this year with a focus on complaints about both retail and industry funds.

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**Topics:** superannuation, business-economics-and-finance, australia

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