

# **Manildra Flour Mills Retirement Fund (the “Fund”)**

## **Notice to Members**

### **Changes to Various Regulatory Matters**

#### **Background**

From 1 July 2021, a number of superannuation regulatory limits will change. The information below is a summary based on current superannuation and tax laws. Since superannuation and taxation are continually changing and complex areas, you are encouraged to obtain professional advice in respect of your personal circumstances at the appropriate time.

#### **Superannuation Guarantee Rate**

From 1 July 2021, the minimum contribution that must be paid by your employer will increase to 10% (currently 9.5%) of your ordinary time earnings. At present, there is legislation in place to raise the minimum rate by 0.5% per annum from 1 July 2022 until it reaches 12% by 2025.

#### **Concessional Contributions Cap**

From 1 July 2021 the concessional contributions cap will increase to \$27,500 per annum (currently \$25,000).

Concessional contributions are pre-tax contributions. Concessional contributions include employer contributions, salary sacrifice contributions and any tax-deductible personal contributions made to the Fund.

If your total superannuation balance is less than \$500,000 on 30 June, you can access any unused concessional contributions caps from the previous year on a rolling five-year basis. This “Carry Forward Rule” commenced from 1 July 2018, so that the first year in which you can access unused concessional contributions was the 2019-2020 financial year.

All concessional contributions are taxed at the rate of 15% in the Fund.

#### **Non-Concessional Contributions Cap**

From 1 July 2021 the non-concessional contributions cap will increase to \$110,000 per annum (currently \$100,000).

Non-concessional contributions are personal contributions for which you do not claim a tax deduction. Excess concessional contributions for which you do not elect to remove from the Fund after you receive an “excess contributions determination” from the Australian Taxation Office also count towards your non-concessional contributions cap.

The “Bring Forward Rule” may allow for additional contributions over the \$110,000 cap (up to a maximum of \$330,000) in a particular year and consequently less in future years. The amounts you can bring forward depend on your age (you must be under age 67) and your total superannuation balance. The conditions that apply are shown in the following table:

Total super balance on 30 June of previous year	Non-concessional contributions cap for the first year	Bring-forward period
Less than \$1.48 million	\$330,000	3 years
\$1.48 million to less than \$1.59 million	\$220,000	2 years
\$1.59 million to less than \$1.7 million	\$110,000	No bring-forward period, general non-concessional contributions cap applies
\$1.7 million or more	nil	Not applicable

Non-concessional contributions are not taxed in the Fund. However, any contributions in excess of the cap will be taxed at 47% though you will have an opportunity to withdraw the excess contributions from the Fund prior to being taxed.

## Minimum Pension Payments

For the two financial years 2019/2020 and 2020/2021, the minimum drawdown required under superannuation law from most superannuation income streams was reduced by 50%. The Federal Government has extended this reduction to 50% for the 2021/2022 financial year.

The following table shows the rate that would normally apply and the reduced rate that will apply for the 2021/2022 financial year for pensions payable from the Fund:

Age on 1st July	Normal minimum withdrawal (% of account balance at 1st July)	Minimum withdrawal (% of account balance at 1st July 2021)
Under 65	4%	2%
65–74	5%	2.5%
75–79	6%	3%
80–84	7%	3.5%
85–89	9%	4.5%
90–94	11%	5.5%
95 or more	14%	7%

## Indexation of Transfer Balance Cap

The transfer balance cap (“TBC”) is the maximum amount that can be transferred into a superannuation pension account. From 1 July 2021 this will increase to between \$1,600,000 and \$1,700,000.

If you have not transferred any amount into a retirement phase pension account prior to 1 July 2021 then your TBC will be \$1,700,000.

If you have transferred money into a retirement phase pension account prior to 1 July 2021 then the following applies:

- If you had a transfer balance account before 1 July 2021, and at any time between 1 July 2017 and 30 June 2021, the balance of your transfer balance account was \$1.6 million or more your personal TBC will remain at \$1.6 million. This applies even if the balance of your transfer balance account is less than \$1.6 million on 1 July 2021;
- If you had a transfer balance account before 1 July 2021 and the balance in your account has never been \$1.6 million or more then your personal TBC will be proportionately indexed based on the highest ever balance of your transfer balance account.

As an example of the proportionate indexation, if the highest ever balance of your transfer balance was \$1,200,000 (i.e. \$400,000 of your TBC has not been used) then your indexation amount will be 25% (i.e. 400,000 / 1,600,000) of the maximum

indexation amount (\$1.7 million - \$1.6 million = \$100,000). Hence, from 1 July 2021, your indexed personal TBC will be  $\$1,600,000 + \$100,000 * 25\% = \$1,625,000$ .

Note that your transfer balance account is not affected by investment income earned or by pension payments. It is however, affected by transfers into a retirement phase pension account and by commutations from a retirement phase pension account.

If you have a pension account in the Fund, the Fund Administrator will have information on the balance of your account.

### **Other Changes**

The limit that determines if an individual is entitled to a co-contribution will increase to \$1.7 million when indexation of the transfer balance cap occurs on 1 July 2021.

When the general transfer balance cap is indexed on 1 July, individuals with a total superannuation balance of less than \$1.7 million on 30 June 2021 will be entitled to a co-contribution if other criteria are met.

### **Disclaimer**

***No director of the Trustee nor any of its advisers are licensed to provide personal financial advice. You should obtain advice from a licensed financial adviser before making any decisions about your superannuation.***

This Notice was prepared by Manildra Flour Mills Retirement Fund Pty Limited (ABN 74 065 680 195), the Trustee of the Manildra Flour Mills Retirement Fund (ABN 32 448 411 930).