how super works

1 October 2018

The information in this document forms part of the following Product Disclosure Statements:

- HESTA Product Disclosure Statement issued 1 October 2018
- HESTA Personal Super Product Disclosure Statement issued 1 October 2018

Important

The information in this document relates to *How super works* in the 2018/19 financial year.

Easy ways to grow your super

Building up your super now can help you achieve the retirement you want. These are some of the ways you can grow your super.

Your employer's compulsory contributions on your behalf

Employers must contribute money on your behalf into a super account. The minimum required under the Superannuation Guarantee (SG) is currently 9.5% of your ordinary time earnings. The minimum SG will remain at 9.5% until 30 June 2021, with the rate increasing from 1 July 2021 to 10% and reaching 12% by 1 July 2025. For more details visit **ato.gov.au/super**

Your employer's contribution may also depend on your award or workplace agreement. Your employer is required to pay this amount into your super account at least quarterly. It is in addition to your salary.

Many people can choose which super fund they'd like their super paid into. If you want to choose HESTA, give your employer a completed *Choice of super fund request form*, found in the HESTA Product Disclosure Statement (PDS) at **hesta.com.au/pds**

You can check how much your employer pays into your HESTA super account on your *Annual statement* or log in to Member Online at **hesta.com.au/mol**

After-tax contributions

It's easy to make contributions to your HESTA super account from any after-tax income or savings you have. You can make after-tax contributions with:

- regular direct debit payments from your bank account
- payroll deductions from your after-tax pay (check with your employer)
- one-off contributions using BPAY (visit Member Online for the biller code and your reference number) or a personal cheque with a HESTA member contribution deposit slip (found at **hesta.com.au/deposit**)
- EFT, electronic funds transfer to HESTA at **hesta.com.au/mol**

Each year you can contribute up to $100,000 of after-tax earnings to your super. If you're under 65, you can bring forward two further years of contributions into one year, to allow a maximum of $300,000 over three years. However, if your total super balance is $1.6m or more at the start of any financial year, you can not contribute any after tax earnings to your super. These contributions do not attract tax on payment into your super fund, however, contributions made over these limits attract a penalty tax at the highest marginal tax rate plus Medicare levy.

You can withdraw excess after-tax contributions above the cap along with 85% of any associated earnings. Associated earnings will be included in your assessable income and taxed at your marginal tax rate.

Remember: you must have supplied your tax file number (TFN) to enable us to accept your after-tax contributions.

You can supply your TFN to us when you join or online at **hesta.com.au/mol** or call **1800 813 327**

To see how making after-tax contributions could work for you, check out our contributions calculator at **hesta.com.au/calculator**

Downsizing contributions

If you are over the age of 65, you may be eligible to contribute up to $300,000 from the sale of your home. This contribution known as a downsizing contribution must be made within 90 days of receiving the proceeds of a sale (usually the settlement date). A downsizing contribution does not count towards your contributions or total super balance caps in the year it was made. To make a downsizing contribution, the proceeds and the ATO approved form must be received. For more information and to download the form, visit **ato.gov.au/super**

First Home Saver Super Scheme (FHSS Scheme)

Voluntary before-tax and after-tax contributions made after 1 July 2017 may be withdrawn for the purpose of purchasing a first home subject to eligibility. Voluntary contributions can be withdrawn up to a maximum of $30,000 in total and no more than $15,000 from any one year along with associated earnings. Having amounts released does not affect the calculation of your contributions for contributions cap purposes. Your contributions still count towards your contribution caps for the year they were originally made. The ATO is responsible for the FHSS Scheme and any requests for the release of contributions must be made to the ATO. To find out if you are eligible and to request the release of voluntary contributions visit **ato.gov.au/Individuals/Super/Super-housing-measures/First-Home-Super-Saver-Scheme**

A gift from the government

The Federal Government's super co-contribution scheme is designed to help Australians boost their retirement savings.

For every (after-tax) dollar eligible members make to super, the government will contribute an extra 50 cents.

The maximum co-contribution that the government will make is $500, and is available for individuals with a total income up to $37,697. The co-contribution reduces by 3.3 cents for each dollar of total income over $37,697 and cuts out at $52,697.

Total income includes assessable income plus reportable fringe benefits and salary sacrifice to super.

For more information, visit **hesta.com.au/cocontribution**

Salary sacrifice

You and your employer may agree to increase before-tax super contributions to your account, reducing your salary by a nominated amount. This means the sacrificed amount is taxed as a concessional contribution rather than income. The annual concessional contribution limit is $25,000 each year.

To understand how concessional contributions are taxed go to **hesta.com.au/pds** and see *How super is taxed* for more information.

To see the difference that salary sacrifice contributions could make, try our contributions calculator at **hesta.com.au/calculator**

Consider seeking financial advice to see whether salary sacrifice is right for you. Also check that your employer will continue to calculate their SG contribution and your other entitlements on your pre-sacrifice salary.

Personal tax-deductible contributions

If you are under age 75, you may be able to claim a tax deduction on personal contributions made to your HESTA super account - for example, you are self-employed or your employer will not salary sacrifice on your behalf.

Eligible members intending to claim a tax deduction for their personal contributions must lodge an ATO *Notice of intent to claim or vary a deduction for personal super contributions* form (NAT 71121) with us. The member must lodge the form with us and receive our acknowledgement by the date they lodge their tax return, the last day of the financial year after the end of financial year the contribution was made in, or before they withdraw their super from their HESTA super account (whichever date is earlier).

For more information and to download the form, visit **ato.gov.au/super**

Combining multiple super accounts

Combining all your super into one account (called a rollover) can mean more money goes towards your savings – not into extra fees! If you're one of the many Australians who change jobs every five to six years, you could end up with several super accounts. Each one could cost you a lot of money in administration fees over time.

By rolling over your super accounts into your HESTA super account, you may avoid paying duplicate sets of fees.

Roll over your other super into your HESTA super account at **hesta.com.au/mol** or use the form in the relevant PDS. As soon as we receive your form, we'll contact your previous fund to get the ball rolling.

There are no fees to roll other super into your HESTA super account. Some other super funds charge exit fees, so you should take this into consideration before rolling over.

Check the total fees payable and any benefits you may lose by rolling over, including any earnings differences between the two funds and insurance held through your other fund.

Remember, you may have insurance through HESTA. Go to **hesta.com.au/mol** to check.

Any claim for a tax deduction on personal contributions to your other fund, or splitting of your contributions to your spouse's super, can only be made before you close that account.

Contribution splitting

Splitting your super with your spouse means you can both have super to draw on when you retire. It allows non-working or low-income spouses to build up their own super.

The maximum splittable amount for any financial year is the lesser of 85% of concessional contributions for that financial year and/or the concessional contributions cap for that financial year.

You cannot split non-concessional and government co-contributions made to a super fund. You also cannot split contributions if you have withdrawn your super from your HESTA super account.

We must receive your completed ATO *Superannuation contributions splitting application* form (NAT 15237) by 18 June in the year after the contributions were made. For example, an application to split contributions made in the 2017/18 financial year must be received by 18 June 2019.

For more information, visit **hesta.com.au/super-splitting**

Spouse contributions

Making contributions into a super account on your spouse's behalf can help you share more in retirement.

A tax offset is available for people who make super contributions on behalf of a low-income or non-working spouse (including a de facto spouse of the same or different sex). The maximum offset is 18% of the first $3,000 of contributions per year, which means the maximum offset available is $540. A member's spouse must have a total income of less than $40,000 per year for the member to qualify for the maximum offset. The offset limit reduces by $1 for every $1 of total income over $37,000 and cuts out at $40,000.

For more information, download a copy of the Spouse contribution form at **hesta.com.au/forms**

Other contributions

Other types of payments that can be contributed to your HESTA super account include:

- some Employment Termination Payments
- some proceeds from the disposal of qualifying small business assets
- proceeds of some compensation payments for a permanently disabling personal injury.

The rules applicable to these contributions are complex. If you are considering making these types of contributions, we recommend you seek expert advice.

What contributions can your HESTA super account accept?	Under 65	65–69	70–74	75+
Superannuation Guarantee (employer)	✓	✓	✓	✓
Award employer**	✓	✓	✓	✓
Employer optional***	✓	✓*	✓*	✘
Salary sacrifice	✓	✓*	✓*	✘
Personal after-tax	✓^	✓*^	✓*^	✘
Personal tax-deductible	✓+	✓*+	✓*+	✘
Spouse contribution	✓^	✓*^	✘	✘
Split contribution	✓#	✘	✘	✘
Rollover	✓	✓	✓	✓
Downsizing contribution	✘	✓****	✓****	✓****

^ If your TFN has not been provided to us, we cannot accept the contribution.

+ If your TFN has not been provided to us, we can only accept the contribution if we receive the ATO's *Notice of intent to claim or vary a deduction for personal super contributions* form (NAT 71121) within 30 days.

The recipient of the contribution must not be permanently retired.

* The recipient of the contribution must have worked at least 40 hours in not more than 30 consecutive days in the financial year the contribution is made.

** Award employer contributions are those mandated under an award, EBA or workplace agreement.

*** Employer optional contributions are where the employer contributes additional amounts not required for the Super Guarantee, award or salary sacrifice requirements.

**** Subject to eligibility. Visit **ato.gov.au/Individuals/Super/Super-housing-measures/Downsizing-contributions-into-superannuation**

Where can I find other information?

If you would like more information about super, visit **hesta.com.au/pds** and read the following:

- *Risks of super*
- *Investment Choices*
- *Fees and costs*
- *How super is taxed*
- *Insurance Options*
- *How to make a complaint*

When can you access your super?

Your super is designed to help support you financially when you retire, so the government has placed restrictions on when you can access your benefit. These are called 'preservation rules' and mean your benefit may consist of preserved and non-preserved amounts.

Preserved amounts

By law all contributions to members' accounts and investment earnings accruing after 1 July 1999 are preserved until you meet a condition of release.

Conditions of release

All or part of your preserved amount may generally only be paid out if you meet at least one of these conditions:

- you permanently retire or commence a transition to retirement income stream on or after your preservation age:

Your date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
After 30 June 1964	60

- after reaching age 60, an employment arrangement ceases
- you reach age 65
- you become permanently incapacitated
- you have a terminal medical condition
- you die
- you meet government criteria and receive government approval for the release of some of your super on compassionate grounds or due to severe financial hardship
- you change jobs and your account balance is $200 or less, or you are a 'lost member' who is found and you have less than $200 in your account on its release
- it's necessary to enable a payment under a release authority in accordance with taxation law.

Temporary residents are treated differently under the super rules in terms of accessing super benefits early. If you are a departing temporary resident seeking access to super benefits contact the ATO to check how the rules apply to your circumstances.

Non-preserved amounts

Restricted non-preserved amounts may generally only be paid out if:

- you meet one of the conditions of release for preserved amounts, or
- you are no longer employed by a contributing employer.

Unrestricted non-preserved amounts may generally be paid out at any time.

What can I do at preservation age?

When you reach preservation age you may be able to withdraw your super as a lump sum, if permanently retired, or transfer your super to a HESTA Transition to Retirement Income Stream, even if you're not permanently retired.

Designed to provide a regular income (instead of a lump sum), transition to retirement income streams enable people who are semi-retired to work part time while using some of their super to supplement their income.

Partial benefits

If you make a partial withdrawal of non-preserved benefits, or transfer preserved benefits to another fund, you must keep at least $1,500 (estimated at the time of payment) in your account for it to remain active.

Accessing your super

You (including your beneficiaries or agents) must provide certified copies of identification documents or successfully validate your identification electronically when receiving certain services, such as the payment of super benefits or establishing an income stream.

Temporary residents

We are required to transfer to the Australian Taxation Office (ATO) any super held for a temporary resident who has left Australia for more than six months and whose visa has expired or been cancelled. This may affect your super if you are not an Australian citizen, a New Zealand citizen or a permanent resident.

In accordance with relief provided by the Australian Securities and Investments Commission (ASIC), we will not provide an exit statement. However, you can contact us to receive information about the transfer that will enable you to apply to the ATO to claim your benefit. For more information about unclaimed benefits, contact the ATO on 13 10 20.

What happens to your super if…

You retire

Your super (less any taxes or other costs that may apply) may be paid as a lump sum or income stream when you reach your preservation age. Please note the government has introduced a limit of $1.6m on the amount that can be converted to a retirement phase income stream.

Please refer to the Income Stream PDS for further information at **hesta.com.au/ispds**

You die

We have a legal responsibility to make sure your super goes to your dependants or your legal personal representative.

Your dependants include:

- your spouse (which includes another person, whether of the same sex or a different sex, with whom you are in a relationship that is registered under a law of a state or territory, or a person who, although not legally married to you, lives with you on a genuine domestic basis in a relationship as a couple)
- your child (which includes an adopted child, a step-child, an ex-nuptial child, a child of your spouse or someone who is your child within the meaning of the *Family Law Act 1975*)
- a person who is wholly or partially financially dependent on you
- a person with whom you have an interdependency relationship.

An interdependency relationship is defined as:

- a close personal relationship between two people who live together, where one or each provides the other with financial support, and one or each provides the other with domestic support and personal care, or
- a close personal relationship that does not satisfy the other criteria because one or both people suffer from a physical, intellectual or psychiatric disability.

Government regulations require that the Trustee takes into account the following criteria when assessing interdependency:

a) all of the circumstances of the relationship between the persons, including (where relevant):
   i) the duration of the relationship
   ii) whether or not a sexual relationship exists
   iii) the ownership, use and acquisition of property
   iv) the degree of mutual commitment to a shared life
   v) the care and support of children
   vi) the reputation and public aspects of the relationship
   vii) the degree of emotional support
   viii) the extent to which the relationship is one of mere convenience
   ix) any evidence suggesting that the parties intend the relationship to be permanent

b) the existence of a statutory declaration signed by one of the persons to the effect that the person is, or (in the case of a statutory declaration made after the end of the relationship) was, in an interdependency relationship with the other person.

Your legal personal representatives include:

- the executor of your will, or
- the administrator of your estate.

Your dependants or your legal personal representative can be paid all the money in your account plus any death benefit paid by HESTA's insurer, less any taxes or other costs that may apply.

Preferred death benefit nominations

You can advise us of your preferred beneficiaries (the people you would prefer to receive your death benefits) on your *New HESTA member or New HESTA Personal Super member application* form. You can update these in future using the *Change of member details* form, or by calling 1800 813 327 or through Member Online at **hesta.com.au/mol**

We have the final decision on who receives your benefits, but will consider your preferred beneficiaries.

It's a good idea to keep information about your preferred beneficiaries up to date, and to make a Will as a guide for the distribution of your estate. This is important even if you have no dependants.

Binding death benefit nominations

To provide greater certainty about who receives your benefit when you die, you can make a binding death benefit nomination which binds the Trustee of HESTA to pay the person(s) you choose (providing you are still a member of HESTA when you die).

The person(s) nominated must be your dependant or your legal personal representative as defined under the 'What happens to your super if you die' section on this page.

If a nominated beneficiary is not alive at the time of your death, or is not a dependant or legal personal representative, the Trustee will determine to whom the benefit is paid.

To make a binding death nomination you must complete a *Binding death benefit nomination* form available at **hesta.com.au/bindingnom**

The Trustee will advise in writing if your binding death nomination appears valid and has been accepted unless revoked. A binding death nomination is valid for three years.

For more information visit **hesta.com.au** or call 1800 813 327.

Where you suffer disability

If you have insurance through HESTA, you may be eligible to receive a regular income or lump-sum insurance benefit in the event of disability. Go to **hesta.com.au/pds** and read *Insurance Options* for details. Your account balance may also be paid if you are permanently incapacitated or you have a terminal medical condition.

You want to stay with HESTA when you retire

We can continue to look after your super when you retire with the following flexible options:

- Leave your money in your current HESTA super account, which gives you ongoing access to low fees, insurance cover and investment options and access to your money when you need it (subject to conditions).
- Transfer your super to the HESTA Retirement Income Stream. This provides a regular income stream from your super with the added bonus of tax-free investment earnings.

For more information visit **hesta.com.au/incomestream**

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