



RICHARDS FINANCIAL

SUPERANNUATION INSURANCE CHANGES FROM 1 JULY 2019

In February 2019, the Government passed legislation which prevents trustees of APRA-regulated funds from providing insurance to members with inactive superannuation accounts, unless a member has directed otherwise.

It is a common practice for many individuals with an SMSF to also have a secondary APRA-regulated fund which provides them with insurance.

This may be done for two key reasons:

- To access insurance policies provided through large superannuation funds which are often cheaper.
- To keep legacy insurance policies which may offer better benefits or lower premiums than new policies, especially for older members.

In these circumstances, it is most likely that people holding these policies through an APRA-regulated super fund will consider that their SMSF is their primary superannuation account and therefore receives all their contributions and roll-overs.

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It is usually the case that people will leave enough money in their APRA-regulated fund account to cover the cost of insurance premiums. Where required they may rollover funds from their SMSF to their APRA-regulated fund or make a contribution to pay for insurance premiums and administration fees to keep their insurance policy.

Under the new legislation, you now may lose your insurance cover if your APRA-regulated fund is considered inactive because it has not received a contribution or a rollover for a continuous period of 16 months.

From 1 July 2019, if your APRA-regulated fund is considered inactive for 16 months your insurance will be terminated.

We are concerned that insurance will be unknowingly closed for these accounts because members have not checked their correspondence, especially for those who rely on this insurance held separately.

This could have a devastating impact on policy holders or their beneficiaries if their insurance cover was unknowingly terminated. Furthermore, it may be extremely difficult or costly to try and access insurance at a later stage of life.

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So what can you do?

It is important that if you wish to maintain your insurance cover that you take necessary steps as soon as possible. This includes either:

- Providing a direction to your APRA-regulated fund that you wish to 'opt-in' for your insurance cover to be maintained.
- Making a contribution or rollover to your 'inactive' APRA-regulated fund so that the period for which your fund starts to be inactive is reset. However, it stressed that you also 'opt-in'.

How can we help?

If you are concerned you are going to be affected by these changes or need assistance with your insurance, please feel free to give us a call to arrange a time to meet so that we can discuss your particular requirements in more detail.