

## Superannuation - Cooper review

You might have seen in the press recently that a report into superannuation commissioned by the Federal Government was released.

The Cooper Review has made recommendations for a major shake up of the superannuation industry, some of which will affect people with a disability.

### 1. MySuper

The Review proposes the establishment of superannuation funds with low fees and charges, balanced investments and no commissions. Called MySuper, these funds would have to be offered to workers as the default option when they choose the fund their compulsory superannuation is paid into.

You would be free to join or move to a different super fund if, for example, you wanted to hand pick your investment options.

It is anticipated that up to 80% of workers, most of whom don't pay too much attention to their compulsory super, will be in MySuper funds.

### 2. Insurance

Life and Total and Permanent Disability (TPD) insurance cover must be offered as part of any MySuper fund, while Income Protection may be offered. Members would have the option to choose not to have insurance cover.

The Cooper Review acknowledged that insurance was a very important feature of superannuation because it provided for people (and their dependants) who were not able to work to normal retirement age because of disability or death and therefore wouldn't have enough money to live off in their retirement.

This is particularly true for people with a disability.

- TPD insurance will "top up" your superannuation if you can't work long term so that you (hopefully) will have a sufficient retirement income.
- Life insurance "tops up" the death benefit payable to your dependants if you die prematurely.
- Income Protection insurance pays monthly benefits to you if you can't work for a period of time until you get back on your feet.

Most super funds currently have some types of insurance cover but this isn't always the case and the amount of cover can vary. Hopefully MySuper will increase the amount and types of insurance cover: which would be a great outcome for people with a disability.

### **3. Superannuation Death Benefits**

The Review recommended simplifying superannuation binding death benefit nominations.

Currently, when you join a super fund, you are asked to nominate who gets your super if you die.

Most of these nominations are “non binding” which means that the Trustee would take them into account when deciding who gets your super if you die, but they aren’t bound by your nominations. They will usually decide who were your dependants (partner, children, financial dependants, interdependents) at the date of death and then decide who gets what.

However, some super funds have binding nominations which means that so long as the nominees were dependants at the date of death (or your estate) the Trustee must pay the money to them.

Binding nominations are done like Wills and must be renewed every three years.

Many people with chronic illnesses like to “get their affairs in order” and have the certainty of binding nominations but they aren’t always available.

The Review has tried to simplify the process by recommending that binding nominations only need to be renewed every five years and they are automatically extinguished by certain life changing events eg divorce.

### **4. Other recommendations**

The Review has made many other recommendations including administrative reforms called SuperStream which will make it easier to find lost superannuation accounts and developing retirement products such as superannuation pensions.

The response to the Review has generally been very positive and it is generally very good for people with a disability. The Federal Government is considering the report but changes are not likely before mid 2011. We will keep you posted.

If you have any questions about the Review or if you have any other superannuation or insurance questions, you can call the Maurice Blackburn Disability Helpline on 1800 196 050 for free advice.