Mentor Superannuation Master Trust
Product Update

Issued: 1 July 2021

This Product Update is to be read in conjunction with the Mentor Superannuation Master Trust (Service) Product Disclosure Statement (PDS) dated 1 February 2020 and any other disclosure documents issued by Oasis Fund Management Limited (Trustee) in connection with the Service.

Why are we issuing this Product Update?

This Product Update covers a number of changes that come into effect from 1 July 2021, being:

- the extension of the temporary reduction of the minimum that members must draw from their pension account, until the end of the 2021/2022 financial year
- the ability to charge a contribution or rollover advice fee and Adviser Service fee indexation will no longer be available
- the introduction of an adviser service fee consent process, and
- the change to the contribution caps limits for concessional and non-concessional contributions and other payments that can be paid into the superannuation system.

It also provides an update on the Federal Budget 2021/2022 announcements.

Temporary reduction of minimum pension payments to continue into 2021/2022

In response to the economic impact of COVID-19 in 2020, the Government provided temporary relief to pension members by halving the minimum amount they must receive as a pension for the 2019/20 and 2020/21 financial years. The Government has recently extended this relief for another year.

What is the minimum annual pension for allocated pensions and transition to retirement pensions for 2021/2022?

The minimum pension drawdown rates for allocated pensions and transition to retirement (TTR) pensions are halved for the 2021/2022 financial year and are detailed in the table on the next page.

From 1 July 2022, the minimum drawdown rates are expected to revert back to the standard rates which applied before the Government relief was provided (as detailed in the table on the next page).

Age at 1 July	Reduced minimum drawdown rates for 2021/2022 (p.a.)	Standard minimum drawdown rates for 2022/2023 (p.a.)
Under 65	2.0%	4.0%
65 to 74	2.5%	5.0%
75 to 79	3.0%	6.0%
80 to 84	3.5%	7.0%
85 to 89	4.5%	9.0%
90 to 94	5.5%	11.0%
95 or more	7.0%	14.0%

You can estimate your minimum annual pension payment for the 2021/2022 financial year by multiplying your account balance on 1 July 2021 by the applicable reduced minimum drawdown rate for your age at 1 July 2021 (refer to the table above).

What is the minimum annual pension for Term Allocated Pensions (TAPs) for 2021/2022?

Your annual pension amount is the total value of your pension account on 1 July of a year (measured at the close of 30 June) divided by a payment factor applicable to the remaining term of your pension on 1 July of that year.

Normally, this calculated annual pension amount can be varied up or down by 10% to give a minimum and maximum payment amount of 90% and 110%.

However, with the reduced minimum drawdown relief applying for the 2019/2020 and 2020/21 financial years and continuing through to the 2021/2022 financial year, you can vary your calculated annual pension amount between 45% and 110%. The minimum annual pension is effectively halved for these financial years.

From 1 July 2022, the minimum annual pension is expected to revert back to the Standard rates (i.e. you will be able to choose an amount between 90% to 110% of your annual pension amount at 1 July 2022).

Removal of contribution or rollover advice fee and Adviser Service fee indexation

Contribution or rollover advice fee

The contribution or rollover advice fee was a fee negotiated between you and your adviser and was a percentage fee calculated on the contribution or rollover amount, net of contribution tax, at the time of each and every contribution or rollover.

From 1 July 2021, the ability to apply a new contribution or rollover advice fee will no longer be available through the Service.

Adviser Service fee indexation

Adviser Service fee indexation allowed you and your adviser to set increases to your Ongoing Adviser Service fees, with the increase taking effect each year at the 12 month anniversary of the instruction being received.

From 1 July 2021, the ability to apply Adviser Service fee indexation will no longer be available through the Service.

Your consent to deduct adviser fees

To facilitate the deduction and payment of adviser fees from your account, we may require your prior written consent through our adviser fee consent form.

Your consent to deduct Ongoing Adviser Service fees to be paid under an arrangement for more than 12 months from your account must be renewed annually through your financial adviser. If you do not renew your consent, these fees will be cancelled 150 days after the anniversary day you and your financial adviser provide to us on our adviser fee consent form.

You and your financial adviser may also agree for Ongoing Adviser Service fees to apply for a fixed term of less than 12 months. Unless you have entered into a new arrangement with your financial adviser, this fee will cease once the end date of your fixed term is reached.

What happens if we do not receive consent to continue adviser fees?

If you have an Ongoing Adviser Service fee on your account and either you do not provide your consent to continue this fee, or apply for a new Ongoing Adviser Service fee before the expiry of your current fee, these fees will be cancelled 150 days after the anniversary day you and your financial adviser provide to us on our adviser fee consent form.

What happens if you change your mind in relation to adviser fees?

Should you wish to revoke your consent to the deduction of any adviser fees, please contact us and/or your financial adviser to terminate the adviser fee arrangement. Note this will prevent any further deduction of Ongoing Adviser Service fees from your account after the consent has been revoked, but does not reverse any fees paid before revocation. We will also confirm with you or your financial adviser whether to remove the financial adviser's access to your account.

Contribution caps for the 2021/2022 financial year

For each individual there is an annual cap on the amount of concessional and non-concessional contributions or other payments that can be paid into or out of the superannuation system during an income year.

The superannuation contribution^ and withdrawal caps for the financial year 2021/2022 are shown below:

- concessional contribution cap: **$27,500**
- non-concessional contribution cap*: **$110,000 or $330,000# over 3 years**
- general transfer balance cap: **$1,700,000**
- total superannuation balance limit that determines if an individual has a non-concessional contributions cap of nil: **$1,700,000**
- CGT cap contributions (contributions linked to the application of the small business CGT concessions): up to a lifetime limit of **$1,615,000**
- low rate cap amount: up to a lifetime limit of **$225,000.**

^ It is important to note that if you are aged 67 or more at the time you make a contribution, you need to have met the work test or qualified for the work test exemption in order for the superannuation fund to accept it.

* if you withdrew funds from your superannuation account under the COVID-19 early release scheme, you can recontribute the withdrawn amount back to your superannuation account without impacting your non-concessional cap during the period 1 July 2021 to 30 June 2030. You cannot claim the recontribution amount as a tax deduction.

If you are under age 67 at any time during the 2020/2021 or later financial years, you may be able to make non-concessional contributions of up to three times the annual non-concessional contributions cap in a single year under the 'bring-forward' option. The amount that you can bring forward, and the extent of your bring-forward period, will depend on your total superannuation balance at the end of 30 June of the previous financial year.

Federal Budget 2021/2022

The Federal Government delivered its Budget on 11 May 2021 with some positive changes announced. Some of the key measures expected to become effective from 1 July 2022 **(which are not yet law)** are summarised below. We recommend that you seek financial and tax advice if unsure about any of these measures and how they may impact you.

Repealing the work test

Individuals aged 67 to 74 will no longer be required to meet the work test when making, or receiving, non-concessional contributions or salary sacrificed contributions to super. Personal deductible contributions to super will still be subject to meeting the work test.

The work test requires individuals to have been gainfully employed for at least 40 hours in 30 consecutive days during the financial year of the contribution.

Individuals in this age group will also be able to access the non-concessional 'bring forward' arrangement over any three-year period (subject to eligibility). For example, they will be able to make or receive non-concessional contributions to their super in a financial year of up to three times the annual non-concessional contributions cap (depending on their total superannuation balance at 30 June of the last financial year), without paying extra tax.

Reducing the eligibility age for making a downsizer contribution

The eligibility age to make a downsizer contribution to super will reduce from 65 to 60 years of age. The downsizer contribution allows eligible individuals to make a one-off contribution to their super of up to $300,000 per person (or $600,000 per couple) from the proceeds of selling their home (which they and/or their partner owned for at least 10 years before the sale). This contribution cannot exceed the total proceeds from the sale of the home.

The downsizer contribution does not count towards the non-concessional contribution cap, and can be made regardless of work status and total super balance. There is no maximum age for making this contribution. A tax deduction cannot be claimed for the contribution.

Removal of the minimum income threshold for Superannuation Guarantee (SG) contributions

Employees will no longer be required to earn a minimum amount of income each month before they become eligible to receive a superannuation guarantee (SG) contribution from their employer to their super. Currently, employers are not required to make SG contributions for their employees earning less than $450 per month.

The SG rate for the contribution will be 10% of an employee's ordinary time earnings (includes overtime) from 1 July 2021 (then 10.5% from 1 July 2022).

This measure will improve equity in the super system by expanding the SG coverage for individuals with lower incomes and those who have casual positions with multiple employers.

Changes to the First Home Super Saver (FHSS) scheme

The maximum amount of 'voluntary contributions' that can be released from super under the First Home Super Saver (FHSS) scheme to help purchase a first home will increase to $50,000 from $30,000. Specifically, individuals will still be able to release up to $15,000 of voluntary contributions from any one financial year, but this will increase up to a total of $50,000 contributions across all financial years, plus earnings.

'Voluntary contributions' that can be released under the FHSS scheme are voluntary concessional and non-concessional contributions made on or after 1 July 2017.

Legacy retirement income product conversions

Individuals invested in term allocated, life-expectancy and lifetime pension products which started prior to 20 September 2007 will have the choice to transition out of these legacy retirement income products and into a more contemporary account-based retirement product without penalty. Currently, individuals have restricted access to capital and flexibility of drawdowns with these legacy products.

Individuals will have a two-year window period to do this (we are expecting this to be from 1 July 2022 to 30 June 2024).

An individual will be able to fully commute their legacy retirement income product back into a super fund account. From here, they can decide to commence a more conventional account-based retirement pension or take it as a lump sum or leave it in their super account. Any commuted reserves will not count towards the concessional contributions cap but will be taxed at 15%.

Individuals need to consider the social security consequences of taking up this option. Existing social security concessions that may apply to their legacy retirement income product will be lost upon conversion. However, exiting the legacy retirement income product will not cause a Centrelink debt to arise.

Extension of the low and middle income tax offset (LMITO)

The Government has further extended the availability of the LMITO tax offset for an additional 12 months. Providing a tax saving (maximum benefit) of $1,080 for individuals on taxable incomes between $48,000 and $90,000 and some benefit either side, before cutting out at a taxable income of $126,000 or more. The LMITO will reduce tax for eligible individuals lodging their income tax return for the 2021/2022 financial year.

What do the changes mean for you?

No action is required. However, you may wish to speak to your financial adviser to understand what these changes may mean for you.

Any questions?

If you have any questions, please:

- call Customer Services on **1800 893 058**
- email **service@wrapinvest.com.au**

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