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Clarity the key on super cap exemptions

Mooted exemptions to the proposed \$500,000 lifetime cap on non-concessional superannuation contributions are not a significant departure from government intentions for a more sustainable and equitable superannuation framework, according to IOOF technical services manager Josh Rundmann.

Speaking to *financialobserver*, Rundmann said that judgement should be reserved on any new exemptions until there is 'absolute clarity' on where they will and will not apply.

He added it was important that the government sharpen its focus on adviser education to ensure that the new rules and any exemptions could be effectively communicated to the broader population.

"There is a strong view that the government needs to be more consultative with its superannuation legislation, particularly after Tony Abbott's 'captain's call' debacle," Rundmann told *financialobserver*.

"At the same time, [the exemptions] are not an overall departure from the government's original intention [of] opening up super and making it more flexible so people aren't disadvantaged by things like divorce settlements.

"We think it's still [of the] same intent but the government is just making it more practical in terms of its implementation."

Last month, Treasurer Scott Morrison said incoming draft legislation on the lifetime cap would include exemptions around 'major life events' such as compensation payments from an accident, divorce settlements, trust inheritance and lottery wins.

He also flagged that draft legislation with the proposed changes was imminent.

"This is a package that deals with fairness, sustainability, but above all it is also contributing to getting the budget back into balance," Morrison said.

"We believe it makes the superannuation system sustainable," he said.

"And when we are asking many others in other parts of the country who are recipients of other benefits or other issues to take their share of the load in bringing the budget back to balance, then we think this is reasonable."

Rundmann said advisers should be aware of the exemptions, particularly as further tinkering with Australia's super framework by the government could lead to a more complicated system with greater loopholes and a higher chance for exploitation.

"Advisers and clients are living in a world where they don't know what contributions they can make and the longer this drags on the harder it becomes for advisers to play within the rules and for clients to be assured with certainty surrounding their retirement futures," Rundmann said.

“I think I can speak on behalf of the industry as a whole here when I say we’re waiting with bated breath to see what the final changes will be, and we can only hope that an announcement [by the Treasury] is made sooner rather than later.”