Australian Government
Commonwealth Superannuation Corporation

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MilitarySuper Ancillary benefit

Background

Some super contributions can't be made to DFRDB or MilitarySuper. Instead, they can be paid to your MilitarySuper Ancillary benefit, and claimed as an additional lump sum.

This factsheet is for:

- DFRDB and MilitarySuper members who have an Ancillary benefit; and
- contributing members who want to make contributions in addition to the member contributions required by their scheme.

What's in this factsheet?

- What is a MilitarySuper Ancillary benefit?
- What can I contribute to my MilitarySuper Ancillary benefit?
- Contribution limits.
- How are Ancillary contributions invested?
- When can I access my Ancillary contributions?
- What else can I do with my Ancillary benefit?
- Where can I get more information?

For DFRDB members

Having a MilitarySuper Ancillary account won't impact your DFRDB membership or your retirement pay.

You'll be a member of both DFRDB and MilitarySuper, and your final MilitarySuper Ancillary benefit will be separate to your DFRDB benefit.

What is a MilitarySuper Ancillary benefit?

A MilitarySuper Ancillary benefit is an additional super account that complements your DFRDB or MilitarySuper membership. An Ancillary benefit allows you to grow your super by making voluntary before-or after-tax contributions in addition to your fortnightly member contributions. It also accepts a range of government contributions that can't be paid into your DFRDB or MilitarySuper Defined Benefits.

Your Ancillary benefit is an accumulation account, so contributions attract investment earnings depending on the investment option you've elected. Your Ancillary benefit can only be claimed as a lump sum, not as a pension. The lump sum benefit you receive will be made up of your contributions plus investment earnings, less any applicable tax. When you claim your Ancillary benefit, it will be taxed at the same tax rates that apply to other super lump sum benefits. For more information about tax and your benefit see our **Tax and your MilitarySuper PDS** or visit ato.gov.au.

Any financial product advice provided in this factsheet is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial advisor. Before making any decision regarding your super, you should consider the contents of the MilitarySuper Product Disclosure Statement.

CSC — Military Super — DFRDB

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243, AFSL: 238069, RSEL: L0001397

Defence Force Retirement and Death Benefits Scheme
ABN: 39 798 362 763

Military Superannuation and Benefits Scheme
ABN: 50 925 523 120
RSE: R1000306

What can I contribute to my MilitarySuper Ancillary benefit?

Ancillary contributions include a range of voluntary personal contributions, additional employer super obligations (such as Super Guarantee (SG) top-ups), Government contributions and transfers from other super funds.

Your MilitarySuper ancillary contributions won't count towards your MilitarySuper Maximum Benefit Limits (MBLs).

You can still contribute towards your ancillary benefit after you've reached your MBL. For more information about MBLs, refer to **MilitarySuper Maximum Benefit Limits** (MBLs).

Salary Sacrifice

Salary sacrifice contributions are voluntary contributions paid from your pre-tax salary. Even though they're voluntary contributions paid from your own salary, they are classed as employer contributions. However, they don't count towards the minimum amount Defence is required to pay into your super on your behalf.

When we receive your salary sacrifice contributions, we'll deduct tax at a concessional rate of 15% and report the contributions against your concessional contributions cap (see **Contribution limits** below). Salary sacrifice is an arrangement between yourself and Defence, so you'll need to contact them to set it up.

Additional personal contributions

Additional personal contributions are voluntary contributions paid from your after-tax salary. As you have already paid tax on these amounts, we won't apply tax when they're received. These contributions count towards your non-concessional contributions cap (see **Contribution limits** below). You can arrange for Defence to pay additional personal contributions on your behalf, from your after-tax salary, or you can pay them yourself directly to MilitarySuper. To make a contribution yourself, you'll need to enclose your cheque, money order or make your EFT payment after completing the Additional Payment Personal Contributions - Deposit form.

Spouse contributions

Spouse contributions are contributions you can make on behalf of your spouse. Your spouse will have a MilitarySuper interest established on their behalf, and their contributions will be kept in a separate Ancillary account to yours. If you make spouse contributions, the benefit will belong to your spouse and will be payable to them as a lump sum—you'll have no right to the benefit, even if they cease to be your spouse. Spouse contributions are paid from your after-tax salary, so we won't apply tax when the contributions are received.

Your spouse must be a person who you are in a marital or couple relationship with to be eligible for spouse contributions. A marital or couple relationship exists if you've been living together as husband, wife, spouse or partner on a permanent and bona fide domestic basis for a continuous period of at least three years. If less than three years, we'll need to consider evidence and determine if spouse contributions can be received.

Because these contributions belong to your spouse, only they can choose an investment option for them (see **How are Ancillary contributions invested?** below). Spouse contributions will only count towards your spouse's non-concessional contributions cap and not your own (see **Contribution limits** below for an explanation of this cap). Your spouse will need to meet a condition of release to be eligible to claim their spouse contributions. For more information, visit ato.gov.au.

Transfer amounts

These are transfers of some or all of your existing super benefits from another fund. While you're a contributing DFRDB or MilitarySuper member, you can transfer super from the following:

- other regulated super funds;
- approved deposit funds;
- retirement savings accounts; and
- the ATO. ATO-held super includes lost or unclaimed super and Government contributions such as co-contributions, low income super contributions (LISC) and low income super tax offsets (LISTO).

Before making any decision to transfer your super, you should consider the fees charged by both your existing and new fund, whether you'll have sufficient insurance in place after the transfer, the investment options available and performance of your funds.

If tax has been applied to your transfer amount, we won't deduct any further tax. However, any previously untaxed portion of your transfer will be taxed at 15% on receipt. You can arrange a transfer in a number of ways:

- Transferring your funds into MilitarySuper by logging into your myGov account and using the ATO online service. Make sure your account is linked to ato.gov.au.
- Contacting your current fund to request a rollout to MilitarySuper. You'll need to provide them with the following information about MilitarySuper in addition to your service number or PMKeys number:

  Scheme: Military Superannuation & Benefits Scheme (MilitarySuper)

  USI: 50925523120001

  ABN: 50 925 523 120

Transfers from self-managed super funds must be paid by cheque.

Once your transfer has been received and credited to your MilitarySuper Ancillary benefit, we'll send you written confirmation of the transaction.

Government contributions

In certain circumstances, the Government may make additional contributions to your super. You don't need to apply for these contributions. If you're eligible, and we have your tax file number, they'll be paid into your Ancillary benefit automatically. There are three types of government contributions that may be paid into your MilitarySuper Ancillary benefit:

- Super co-contributions. These are payable to low or middle-income earners (the thresholds change each financial year) who make personal after-tax contributions to their super. The amount of government co-contribution you receive will depend on your income and the amount you contribute, and is subject to an annual cap.
- The LISTO is payable to individuals with an adjusted taxable income below the threshold set by the ATO. If eligible, you'll receive up to 15% of the total concessional (before-tax) super contributions that you make in a financial year, subject to an annual cap.
- The low income super contribution was a similar scheme to LISTO, but ceased from 1 July 2017 when LISTO was established.

For more information about Government contributions, including the current income thresholds and caps for these payments, visit ato.gov.au.

What if I transition out of the ADF?

Generally, you can only contribute to your MilitarySuper ancillary benefit if you're a contributing DFRDB or MilitarySuper member.

Government contributions relating to periods when you were a contributing member may still be accepted after your membership has ceased.

If you preserve your MilitarySuper benefit, your ancillary benefit will continue to grow with fund earnings until you claim.

Super Guarantee

The Super Guarantee (SG) ensures a minimum level of employer sponsored superannuation contributions for all Australian employees. Your productivity contributions and notional employer benefit are based on your super salary. In most cases, these will exceed the minimum requirements of SG. However, you may receive allowances during your service that aren't recognised as part of your super salary. If your employer hasn't paid enough to meet the SG requirements, they will make additional contributions based on the difference between your super salary and your Ordinary Time Earnings (OTE). These top-up payments will be payable quarterly, and your eligibility may vary from one quarter to another.

Productivity: Defence will usually pay 3% of your gross fortnightly super salary as productivity contributions. This will happen until you reach your pension maximum benefit limit or elect to stop contributing earlier.

Employer benefit: This is a notional amount calculated by multiplying your employer benefit multiple (based on years of service) by your final average salary. Your employer benefit includes your accumulated productivity contributions.

Contribution limits

Contributions paid into super, whether they're paid by you or someone else, are classed as either concessional or non-concessional. Both types of contributions are subject to annual caps, and penalties may be applied by the ATO if these caps are breached.

Concessional contributions

These are contributions paid from a before-tax source and will usually have 15% contributions tax withheld on receipt. Examples include compulsory employer contributions, salary sacrifice and other amounts paid by your employer from your before-tax income. There is a cap on the amount of concessional contributions you can make each financial year. Usually, if you exceed the cap, you'll pay tax on the excess contributions at your marginal rate. If you don't want to pay additional tax, you'll need to ensure your total concessional contributions paid to all of your super interests stay under the cap.

Because MilitarySuper and DFRDB are Defined Benefit schemes, part of your benefit is a notional employer amount that isn't calculated until you claim. This makes it difficult to capture the amount Defence contributes on your behalf each year. We therefore calculate and report a notional amount, known as your Defined Benefit Contribution, or DBC. If your DBC (which typically includes productivity contributions) exceeds the concessional contributions cap, you won't be treated as having exceeded your cap*. Any concessional contributions made outside your Defined Benefit (e.g. to your Ancillary account) will count towards your cap, and may be taxed at your marginal tax rate.

*With the exception of MilitarySuper members who joined after 12 May 2009, as any amount that exceeds the cap will be considered as an excess contribution for tax purposes.

Non-concessional contributions

These are contributions paid from an after-tax source. No tax will be withheld when they're received by the fund. Examples include your mandatory fortnightly member contributions, additional personal contributions and spouse contributions. There is a cap on non-concessional contributions you can make each financial year. Generally, additional tax is payable on the excess contributions, so you'll need to keep the non-concessional contributions made to all of your super interests under the cap if you don't want to pay extra tax.

The contribution limits are complex. We encourage you to speak to a licenced financial advisor or accountant for advice about the management of your contribution limits across all your superannuation interests. For more information about either of these contribution limits, including the annual caps, visit ato.gov.au.

Personal financial advice available to you

Before you make a decision about making MilitarySuper Ancillary contributions, we recommend you seek professional advice from a licensed financial planner. CSC Financial Planners are authorised to provide financial advice by Guideway Financial Services (ABN 46 156 498 538, AFSL 420367).

Guideway is a licensed financial services business providing CSC Financial Planners with support to provide members with specialist personalised financial advice, and strategies.

For more information, visit csc.gov.au/advice or call 1300 277 777.

How are Ancillary contributions invested?

Your MilitarySuper Ancillary benefit is valued in units. When contributions are paid into the fund, the money 'buys' a number of units and the value of each unit is known as the unit price. The value of your investment can change, depending on investment performance. The costs associated with buying and selling units are reflected in the unit price for each investment option. There are four investment options you can choose from:

- Cash;
- Income Focused;
- Balanced (this is the default option, if you don't make a choice); or
- Aggressive.

Each investment option has a different unit price that can change daily. When you claim your MilitarySuper Ancillary benefit, you'll effectively 'sell' your units at the applicable daily unit price.

You can switch investment options as often as you like at no cost. You can do this by logging into your MilitarySuper Member Services Online (MSO) account or by submitting your completed Member Investment Choice (MIC1) form.

We'll write to you and confirm we've processed your investment switch.

Note: Your request to switch investment options must be received by 15:00 Canberra time to receive the unit price declared for that day. We usually publish unit prices for a given day on the next business day. The unit prices shown in MSO and on our website are not the rates that you'll receive. For more information about investment options including asset allocation and risk, unit prices and switching, read our MilitarySuper Investment options and risk PDS.

Investment returns may be positive or negative, so the value of your benefit may rise and fall. Therefore, it's possible that your benefit might be less than the amount you contributed, particularly over a shorter term.

When can I access my Ancillary contributions?

Payment of your Ancillary benefit is not directly related to payment of your DFRDB or MilitarySuper benefit. Even if you claim your Defined Benefit, you can keep your Ancillary benefit preserved until age 65. Your Ancillary benefit can only be claimed as a lump sum. Usually, you can't claim your Ancillary benefit as cash until you reach your preservation age and permanently retire from the workforce. You may be able to access all or part of your Ancillary benefit earlier:

- if you become totally and permanently incapacitated;
- on severe financial hardship grounds; or
- on compassionate grounds.

In the event of your death, your Ancillary benefit will be paid to:

- your eligible dependants, or if you have no eligible dependants;
- a dependent person(s) you nominated to us in writing and included in your will; or
- a personal representative.

Preservation age is based on your date of birth, as shown in the table below:

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

Your Ancillary benefit can also be rolled over at any time to another regulated super fund—including a self-managed super fund, retirement savings account or approved deposit fund. However, you won't be able to claim the benefit from that rollover institution until the benefit becomes payable under the rules of that fund. Generally, this is not until you have reached your preservation age and retired from the workforce.

What else can I do with my Ancillary benefit?

Contribution splitting

Your spouse can also make contributions for you by rolling over a portion of their recently made contributions* to your MilitarySuper Ancillary benefit. To be eligible for contribution splitting you must be:

- below your preservation age; or
- between your preservation age and 65 years, but not retired.

There are restrictions on when your spouse can apply to split their contributions and the types of contributions they can split. For more information, visit the ato.gov.au.

*these contributions paid cannot be split from your spouse's MilitarySuper benefit or Ancillary benefit.

Downsizer contributions

Homeowners who are 55 or older can contribute the proceeds of selling their home into super. There are restrictions on the ownership and use of the property and a cap on the contributions that can be paid. You can only make downsizer contributions from the sale of one property, but you may make more than one contribution from that sale.

Downsizer contributions won't count towards your concessional and non-concessional contribution caps, but they will count towards your total super balance and transfer balance cap. For more information, visit ato.gov.au.

Note: Only contributing MilitarySuper members can access this scheme. If you're receiving a MilitarySuper pension, or have a preserved MilitarySuper benefit, you may be eligible to access the scheme if you have another super fund.

For more information about downsizer contributions, refer to First Home Super Saver and Downsizer Contributions.

Where can I get more information?

Military Superannuation & Benefits Scheme

EMAIL	members@enq.militarysuper.gov.au
PHONE	1300 006 727
FAX	02 6275 7010
MAIL	MilitarySuper GPO Box 2252 Canberra ACT 2601
WEB	csc.gov.au

Defence Force Retirement & Death Benefits Scheme

EMAIL	members@dfrdb.gov.au
PHONE	1300 001 677
FAX	02 6275 7010
MAIL	DFRDB GPO Box 2252 Canberra ACT 2601
WEB	csc.gov.au