Super, Snowballs and Staples

- where Alliteration and Superannuation meet -

Superannuation. It's the snowball you want coming your way.

With employers compelled to contribute to employees' superannuation funds for the best part of 30 years now, many, particularly the Boomers among us, have already begun basking in the relief that only a financial snowball headed your way in the twilight of your income-earning days can provide.

To the young, that faraway sparkle of financial freedom is but a faint speck of frosty tomorrow land; an inaccessible and infinitesimal promise of financial independence. Right now there's fun to be had; snowballs are for eating; let's take the black run and damn the expense!

The Boomer, eyeing the downhill tearaway from the comfort of the lodge, remembers the day, way back when, when superannuation felt like another tax, best avoided where possible.[1]

The 'super' system has been refined over the years, encouraging workers to make their own contributions by allowing generous concessions, ensuring even those of us with no interest in snowballs, nest eggs, rainy days, pots of gold or financial independence by any other name, remain on track to fund our retirement. That assurance comes in the form of the superannuation guarantee, a law that requires employers to make compulsory contributions to employee's super funds, regardless of their age.

Most employees can choose their own super fund into which employer contributions are made. But often they don't. Employers then nominate a default fund for the employee. However, we have workers who frequently change jobs, leaving behind a trail of separate super fund accounts that they just never get around to tidying up. And when the time comes to gather up their snowballs, they just can't remember where they scattered all those pieces of snowy goodness. Find my super, they cry!

Maintaining multiple superannuation funds with low member balances comes at a cost. Those balances are easily eroded by administration fees, duplicated in each fund – highly inefficient.[2] In its 2020 Budget, the Government announced a reform aimed at eliminating this efficiency, ensuring low balances aren't eroded by unnecessary fees. The solution is to 'staple' an employee to a super fund. Not literally of course; that would probably be illegal, painful as a paper cut and frankly look a bit weird.

From 1 November 2021, if a new employee does not nominate their fund of choice, the employer will need to ask the ATO to provide the details of any fund to which the employee is stapled – doesn't hurt a bit. The employer can only make this request after the employee has commenced work and a Tax File Number declaration or Single Touch Payroll pay event linking the employee to the employer has been lodged.

If there is no fund stapled to the employee, the employer's default fund is used instead.

If you'd like to understand more about your obligations under the new system, as an employer, contact the Business Services team at Nexia Canberra.

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[1] Oops, ATO trigger word. To be clear, by 'avoid' we mean not pay, but strictly within the bounds of the law.
[2] Treasury estimates Australians will save about $2.8 billion over the next ten years.