

**Senate Economics Legislation Committee**  
ANSWERS TO QUESTIONS ON NOTICE  
**Treasury Portfolio**  
Budget Estimates 2021 - 2022

**Agency:** Australian Prudential Regulation Authority  
**Question No:** BET181  
**Topic:** Sole purpose test  
**Reference:** Written (11 June 2021)  
**Senator:** Slade Brockman

**Question:**

When I asked APRA at the 2 June 2021 Senate Estimates hearing about the guidance on the Sole Purpose Test, which dates back to February 2001, I was told that the review of this guidance that was announced in December 2018 was put on hold due to the Your Future, Your Super legislation and that the changes in that Bill relating to the “Best Financial Interests” requirement had potentially superseded the need for any review of the Sole Purpose Test.

1. Can you please explain why you believe that the Your Future, Your Super reforms remove the need for a review and update of the Sole Purpose Test guidance?

With reference to current guidance on the sole purpose test:

2. Does the Sole Purpose Test apply in the case of a pension client, where they have already met a condition of release?

3. Is advice on reducing expenditure to enable a member to salary sacrifice into super, compliant with the Sole Purpose test?

4. Where someone is due to receive an inheritance, and they want advice on what to do with their inheritance and the advice is to put some of the money into superannuation, then does this comply with the Sole Purpose Test?

5. Given the above examples, provided to me by financial advisers, do you accept that current guidance on sole purpose is insufficient?

6. Would the extension of intra fund advice to allow for the provision of advice to the spouse of a member breach the Sole Purpose Test? Has APRA looked at this issue?

**Answer:**

1 & 5. Given the Government’s Your Future, Your Super (YFYS) reforms announced in the 2020-21 Federal Budget, APRA paused the review of the sole purpose test guidance until the legislative landscape had settled.

With the recent passage of the YFYS legislation, APRA will recommence the review of the sole purpose test guidance, as part of a broader review by APRA of expenditure management guidance, and the introduction of the best financial interests duty in the YFYS reforms.

2. Yes, it does. A pensioner continues to be a member of the superannuation fund for so long as the pension benefit continues to be payable to the member or until the member fully commutes their pension interest and takes their benefit in the form of a lump sum.

3, 4 & 6. If the advice was being paid for by the individual with monies held outside of superannuation, the sole purpose test would not apply.

If the advice was paid for by the superannuation fund trustee with the consent of the member, then the examples referred to in questions 3, 4 and 6 would likely be inconsistent with the sole purpose test.

In addition, in relation to question 6, only members of the fund can receive intra fund advice paid for out of superannuation.