NAVARINO WEALTH

CLIENT UPDATE
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Who gets your super, and is your cover still switched on?

Two pieces of paperwork decide what your family receives from super and how long they wait for it. Both expire quietly, neither tells you when it has, and the regulator has spent two years finding out how badly that goes.

Most people assume their super goes where their will says, and that the insurance inside their fund is simply there. Neither is reliably true. A binding nomination usually lapses after three years, and cover inside super is switched off by law after sixteen months without a contribution. Here is what to check, and why the delay matters as much as the money.

3 years	16 months	78%	$23.5m
how long a binding nomination usually lasts	of no contributions and cover is switched off	of claim files delayed by the fund's own processes	penalty paid by one fund over claim delays

In a nutshell

- Your will does not control your super. The fund's trustee does, guided by the nomination you last made with the fund itself.
- Most binding nominations lapse after three years. If yours has expired, or you never made one, the trustee decides who gets the money.
- That decision is where the delay comes from. ASIC found 78 per cent of death benefit claim files were held up by problems inside the fund's control.
- Insurance inside super stops after sixteen months without a contribution or rollover. Between contracts, on parental leave, or after consolidating into a new fund, that clock is already running.
- Under 25, or a balance under $6,000, means no default cover at all unless you opt in. Worth knowing for your children.
- An old income protection policy cannot be replaced with the same terms today. Never cancel one before a replacement has actually been issued.
- None of this needs a meeting. It is a short list of things to check, and we check them at every review.

Your super is not covered by your will

Superannuation does not form part of your estate, so it is not distributed by your will. It is paid by the fund's trustee, and what the trustee is allowed to do depends entirely on the nomination held on your member record.

- A binding nomination (lapsing) obliges the fund to pay the people you named. Most expire three years after you sign, and the fund is not obliged to chase you to renew it.
- A binding nomination (non-lapsing) does not expire, but not every fund offers one, and some require it to be reconfirmed after a major life event.
- A non-binding nomination is a preference only. The trustee will consider it and may still pay someone else.
- No valid nomination at all leaves the trustee to work out who your dependants are. That means gathering evidence, contacting family members and forming a view, which is the slow part of every delayed claim.

The people you nominated at 45 are often not the people you would nominate at 60. Marriage, separation, a blended family, adult children and a new partner all change the answer, and an expired form quietly hands the decision back to the fund.

Why the paperwork matters more than it should

In March 2025 ASIC published a review of how ten large super trustees handled death benefit claims. It found 78 per cent of the claim files reviewed were delayed by processing issues within the trustee's own control. Seventeen per cent involved claimants experiencing vulnerability, and about 30 per cent of those were handled poorly. Not one of the trustees reviewed was monitoring its own end-to-end claim times.

The enforcement action since has been substantial. Cbus was ordered to pay a $23.5 million penalty over delays affecting more than 7,000 members. ASIC is separately suing AustralianSuper, alleging almost 7,000 death benefit claims took between four months and four years to assess.

ASIC's follow-up report this year found real improvement, with internal complaints about death benefit delays down 53 per cent between early 2024 and late 2025. But claim volumes rose 10 per cent in the year to October 2025 and are still climbing, and half the trustees reviewed had not identified a single systemic issue in their own complaints data.

You cannot control how well your fund is run. You can control whether it has to exercise discretion at all. A current, valid binding nomination removes the step that causes most of the delay, at the point your family is least able to absorb it.

The sixteen-month switch-off

Since the Protecting Your Super reforms, a super fund must cancel the insurance on any account that has received no contributions or rollovers for sixteen continuous months, unless you have opted in writing to keep it. The fund must write to you at nine, twelve and fifteen months. Those letters go to the address the fund has on file, and they are the easiest mail in the world to ignore.

The situations where this catches people:

- A break between contracts or rosters, where no employer contribution is made for more than a year.
- Parental leave, extended unpaid leave, study or time out of the workforce.
- Changing employers and starting a new fund, while the cover you actually valued sits in the old account going quiet.
- Consolidating accounts, which cancels the insurance in the account you close, sometimes including cover you could not obtain again today.

Separately, a fund cannot provide default cover to a member under 25, or to any member whose balance has never reached $6,000, unless that member opts in. If your children have started work and assume they are insured through super, they very likely are not.

The sixteen-month rule applies to APRA-regulated funds, not to self-managed funds. If your cover sits inside an SMSF the automatic cancellation does not apply, but nothing switches it on either. It only continues while the trustees hold the policy and pay the premiums, which makes it a standing item rather than a set-and-forget one.

Old income protection cannot be bought again

Income protection is the cover most people never think about and most would miss first. It is also the one where an older policy is often worth more than anything on sale today.

APRA required insurers to stop writing agreed value contracts from 31 March 2020, and from 1 October 2021 new policies must base the income at risk on your actual earnings at the time of the claim rather than a figure agreed years earlier. Older contracts were not changed, so if you hold one, you hold something that is no longer available.

That has one practical consequence worth stating plainly: never cancel an existing policy until the replacement has been formally issued and accepted. Health changes, occupation changes and time all affect what you can be offered, and a gap of a few weeks can turn a cheaper premium into no cover at all.

What to check, and when

If you	What to check
Have not touched your nomination in three years	Ask your fund for the date it was signed and whether it lapses. This is the single highest-value item on the list and it takes one phone call.
Have separated, remarried or had a child	The nomination almost certainly no longer reflects what you would want, and an ex-partner can still be a valid beneficiary on an old form.
Work FIFO or on contract	Check the date of the last contribution to every fund you hold. A long gap between contracts starts the sixteen-month clock.
Are on parental leave or out of the workforce	Opt in with the fund in writing to keep the cover alive, or arrange a small contribution to reset the clock.
Have just consolidated your super	Confirm what cover was cancelled in the account you closed, and whether the new fund actually replaced it.
Have children who have started work	Under 25 or under $6,000 means no default cover unless they opt in.
Hold an income protection policy from before 2021	Have it assessed before you change anything. It may not be replaceable.
Hold insurance inside an SMSF	Confirm the premiums are still being paid and the policy is still current in the fund's name.

We covered the tax side of this in August, when we looked at what your children pay on the super they inherit. This is the other half of the same question: the tax decides how much arrives, and the nomination decides who receives it and how quickly.

We are here to help

None of this is urgent in the way a deadline is urgent, which is exactly why it goes unchecked for years. If you are a client, we review your nominations and your cover as part of every review, and we will tell you if something has lapsed. If you would like it looked at sooner, or you are not sure what you hold, send us the name of your fund and we will check it for you.

Book a complimentary chat with us, or call the office on 0478 745 533.

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