Member Update

Changes to Super in Mid-Year Budget Review December 2011

Summary

On 29 November the Federal Government announced a number of proposed changes to super as part of their mid-year review. These changes would generally take effect from 1 July 2012 if passed.

The key changes for Catholic Super Members are:

► Co-contribution to be scaled back

The Government's co-contribution program (where the Government matches the voluntary super contributions of low-income earners), will be scaled back:

- the maximum Government co-contribution payment, which is currently $1000, will reduce to $500.
- instead of matching dollar-for-dollar, the government will match only 50% of a personal contribution.
- The maximum eligible income level will be reduced from $61,920 to $46,920 from 1 July 2012.

This means that eligible members who contribute $1000 from 1 July 2012 will get a maximum entitlement of $500 if they fall below the lower income threshold of $31,920. A partial benefit will be paid for incomes between $31,920 and $46,920.

Comment

Whilst disappointing for low income earners, members still have the opportunity to take advantage of the current co-contribution arrangements before 30 June 2012.

► Rebate of contributions tax for low income earners

Individuals earning up to $37,000 will receive a tax rebate equal to their 15% super contributions tax.

Comment

This is good news for many low income earners, as it means those earning below $37,000 will have the tax on their superannuation guarantee (employer) contributions refunded into their super account In some respects, this offsets the loss of the reduced co contribution scheme as set out above.

► Pension drawdowns

The 25% reduction in the minimum pension fund drawdown will be extended for a further 12 months to 30 June 2013.

Comment

This measure will assist many retirees who prefer to receive smaller payments from their pension whilst investment markets remain volatile.

► Concessional contribution caps frozen for a further year

The Government will extend the freeze on the indexing of before-tax contributions caps for the 2013/14 financial year - the 2012/13 dollar amount caps will also apply in 2013/14 which is $25,000 for members under the age of 50 and $50,000 for members over the age of 50.

► Super guarantee (employer) payments

For the first time, from 1 July 2013, eligible employees over 70 will receive compulsory superannuation guarantee payments. Employers will also be able to claim tax deductions for these super contributions.

Comment

This means that a member aged 70 or older as at 1 July 2013 and still working, will continue to receive superannuation guarantee contributions from their employer. Previously, superannuation guarantee payments ceased once an employee reached the age of 70. The Government is recognising that an increasing number of people are remaining in employment beyond age 70.

More Information

If you would like any further information about these changes, please contact your Catholic Financial Services Financial Planner or call our Member Services Centre on 1300 655 002.

Book an appointment with a planner online at www.csf.com.au/financial-planning-booking-form