CATHOLIC Super™

Fact sheet

Federal Government super announcements April 2013

Superannuation reforms – will they affect your retirement savings?

You might have picked up the news late last week that the Federal Government has announced a package of superannuation reforms in the lead up to its May Budget. In this special Catholic Super member update, we take a look at the proposed changes to give you an idea of how you may be affected.

The political landscape

It is worth noting that there is a chance these reforms may never be implemented. Treasurer Wayne Swan has admitted the changes are unlikely to be legislated this year, and with the Coalition's declaration that it will not make 'unexpected adverse' changes to superannuation, much will depend on the outcome of the 14 September election.

The proposals

➤ Taxing superannuation earnings

From 1 July 2014, earnings on superannuation above $100,000 will no longer be tax free. Earnings above $100,000 will be taxed at 15 per cent.

Assuming a rate of return of 5 per cent, this reform will only affect individuals with more than $2 million in assets.

Treasury estimates that around 16,000 people, or 0.4 per cent of Australia's 4.1 million retirees, will be affected by this measure in 2014-15. The same treatment applies to defined benefit funds.

The government says that individuals with $100,000 of tax-exempt earnings typically receive more government assistance than someone on the maximum rate of the Single Age Pension, and that this reform will help make the superannuation system fairer and more sustainable. It will also save the government $350 million over the budget cycle.

➤ Higher concessional contributions cap

A higher concessional cap on superannuation contributions of $35,000 will apply to people aged 60 and over from 1 July 2013, and those aged 50 and over from the following year. This measure is to allow people who have not had the benefit of the Superannuation Guarantee for their entire working lives to be able to contribute more to their superannuation as their retirement age approaches.

The general concessional cap is expected to reach $35,000 from 1 July 2018.

The government no longer plans to limit this cap to individuals with superannuation balances below $500,000.

➤ Excess contributions

Currently, concessional contributions in excess of the annual cap are taxed at top marginal tax rate of 46.5 per cent rather than normal rate of 15 per cent, which penalises individuals with income below the top marginal tax rate.

The Government will allow people to withdraw any excess concessional contributions made from 1 July 2013 from their superannuation fund, and will instead tax excess contributions at the individual's marginal tax rate, plus an interest charge.

This is estimated to reduce the tax liability of 41,000 people in 2013-14 by $1300 on average, while 59,000 people on the top marginal tax rate will have a larger tax liability due to the interest charge.

➤ Normal deeming rules to be extended

Standard pension deeming arrangements will apply to new superannuation account-based income streams assessed under the pension income test rules after 1 January 2015. All products held by pensioners before this date to be assessed under existing rules for the life of the product.

➤ Lost super

As previously announced, interest will be paid on lost superannuation, but the account balance threshold at which accounts must be transferred to the Australian Taxation Office will increase to $2500 from 31 December 2015 and to $3000 from the following year.

We will keep our members informed of any developments as they come to hand.

In the meantime, if you would like to discuss any of these proposals in more detail, please call us on **1300 655 002** to arrange a consultation with a financial planner.

Book an appointment online

→ **www.csf.com.au/financial-planning-booking-form**

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