

FACT SHEET: 2009 Federal Budget

Proposed changes to superannuation & retirement income support



The federal government recently handed down its budget for the upcoming financial year (2009/10).

This budget includes some proposed changes to superannuation and age pension that are yet to be passed in parliament.

This fact sheet provides a summary of only those measures that impact upon superannuation or pension benefits.

It is important you are aware of these changes as they may affect you and how you are planning your retirement income.

Proposed changes to superannuation system

Changes to the Contribution Cap



Before-tax contributions

(e.g. SG, salary sacrifice and any personal contributions claimed as a tax deduction)

The annual cap on before-tax contributions (also referred to as concessional contributions) will be halved from 1 July 2009. The before-tax cap is the maximum amount contributed for an individual into all their superannuation accounts over a financial year.

The cap will reduce from \$100,000 to \$50,000 for those over 50, and from \$50,000 to \$25,000 for those under 50. From 1 July 2012, the cap will be set at \$25,000 (indexed) for everyone, regardless of their age.

After-tax contributions

(e.g. personal contributions, spouse contributions)

The after-tax contributions cap will remain at \$150,000 for the 2009/10 financial year.

However, this may be adjusted in the future in line with any indexation of the before-tax cap increases. From 1 July 2010 after-tax contributions are set as a multiple being six times the before tax cap amount.

It is believed the 'bring forward' rule will continue to apply allowing three times the annual cap over a three year period (only applies if under age 65).

Financial Year	Before-tax contributions cap (Under 50s)	Before-tax contributions cap (Over 50s)	After-tax contributions cap (ALL)
2008-09	\$50,000	\$100,000	\$150,000
2009-10	\$25,000	\$50,000	\$150,000
2010-11	\$25,000	\$50,000	6 x before-tax contributions cap
2011-12	\$25,000	\$50,000	6 x before-tax contributions cap
2012-13	\$25,000	n/a	6 x before-tax contributions cap

Temporary reduction to government co-contribution scheme payments



For the past few years, the federal government has been matching after-tax voluntary super contributions for those who earned below a certain amount (currently \$60,342) and met other eligibility criteria, such as filing a tax return.

These co-contribution payments were up to maximum of \$1,500 for \$1,000 voluntarily contributed.

For the period from 1 July 2009 to 30 June 2012 this is proposed to be reduced to a maximum Government co-contribution amount of \$1,000 p.a., increasing to \$1,250 p.a. from 1 July 2012 until 30 June 2014 and then back to \$1,500 p.a. from 1 July 2014. See the table below.

Financial Year	Matching rate	Maximum co-contribution available
2008-09	150%	\$1,500
2009-10	100%	\$1,000
2010-11	100%	\$1,000
2011-12	100%	\$1,000
2012-13	125%	\$1,250
2013-14	125%	\$1,250
2014-15	150%	\$1,500

Please note: From 1 July 2009 Salary Sacrifice contributions are included income for assessment of eligibility.

Temporary minimum draw-down relief extended on pension income



The Government will halve the legislated minimum amounts self-funded retirees have to draw down from their account-based pension for 2009-10, extending the temporary draw-down relief that applied for the 08/09 financial year.

See table on right for more.

Age	Minimum draw-down until 30 June 2010	Standard Minimum Drawdown
Below 65	2.0 %	4 %
65-74	2.5 %	5 %
75-79	3.0 %	6 %
80-84	3.5 %	7 %
85-89	4.5 %	9 %
90-94	5.5 %	11 %
Over 95	7.0 %	14 %

Transfer of 'lost' super account balances to the ATO

From 1 July 2010, super funds will be required to transfer to the Australian Taxation Office as 'unclaimed money':

- Any 'lost' accounts that have balances less than \$200
- Any accounts that have been inactive for five years and where there are insufficient records to identify the owner of the account.

Accounts transferred to the ATO can be claimed directly by the account owner at any time.

To check if you have any lost super, visit www.ato.gov.au or call 13 28 65.

Trans-Tasman super transfer arrangements

The Government has agreed in principle to establish a trans-Tasman retirement savings portability scheme.

While specific details of the scheme are yet to be finalised with the New Zealand government, we do know that the scheme will permit the transfer of superannuation savings between certain Australian superannuation funds and New Zealand KiwiSaver funds.

Currently, Australian superannuation may only be transferred to funds within Australia.

Proposed changes to social security system

Increase in base rate for age pension

The age pension base rate for single pensioners and for couples will increase from 20 September 2009.

The singles rate will increase by \$32.49 per week and the couples rate will increase by \$10.14 (combined).

SINGLES - maximum age pension

	Currently	After 20/09/09	Increase
Per fortnight	\$575.80	\$640.78	+ \$64.98
Per year	\$14,970.80	\$16,660.28	+ \$1,689.48

COUPLES - maximum age pension

	Currently	After 20/09/09	Increase
Per fortnight	\$957.80	\$978.08	+ \$20.28
Per year	\$24,902.80	\$25,430.08	+ \$527.28

The age pension will now be benchmarked 27.7% of Male Total Average Weekly Earnings (MTAWE).

Together these changes will bring the singles rate to 66.7% of the couples combined rate.

Increase in qualifying age for Age pension

The eligibility age for both the Age Pension and Commonwealth Seniors Health Card will increase by six months, every two years from July 2017 until it reaches 67 in July 2023.

Date	Qualifying age	Affects people born
Now, until 30/06/2017	65 years	01/07/1952 or before
From 01/07/2017	65 years, 6 months	01/07/1952 – 31/12/1953
From 01/07/2019	66 years	01/01/1954 – 30/06/1955
From 01/07/2021	66 years, 6 months	01/07/1955 – 31/12/1956
From 01/07/2023	67 years	01/01/1957 or after

The recommendation of the Retirement Incomes Report to increase the superannuation pension age to 67 (gradually) to align with the Age Pension age was noted by the Government.

Changes to Age Pension taper rate

From 20 September 2009, Age Pension payment rates will be reduced (taper off) by 50 cents for each \$1.00 of extra income above the income test 'free area'.

For many part-pensioners, the increase in the base rate will offset the reduction from steeper tapering. The Treasurer announced that all existing pensioners would have their payments maintained in real terms, with those who would be worse off, continuing to be assessed at 40 cents in the dollar until they are better off.

	Fortnightly income before taper commences	Current cut-out	Cut-out from 20/09/09
Singles	\$138	\$47,444	\$38,693
Couples	\$240	\$72,423	\$59,228



Continue to work incentives

The current *Pension Bonus Scheme* will be closed to new registrations from 20 September 2009, however existing registrants will continue with the scheme.

From 20 September 2009, a new *Pensioner Work Bonus* will allow pensioners to disregard 50% of the first \$500 of employment income under the income test – resulting in a maximum \$125 per fortnight in additional pension payments.

Seniors Supplement for self-funded retirees

From 20 September 2009, eligible self-funded retirees will have access to the annual Seniors Supplement. This is currently \$790.40 p.a. for singles and \$1,190.80 p.a. (combined) for couples, with payments being made quarterly.

Retirees eligible for the Commonwealth Seniors Health Card and the Department of Veterans Affairs Gold Card will receive the Seniors Supplement.

Carer Payments

A new annual *Carer Supplement* of \$600 will be payable to people who receive:

- Carer Payment, or both Wife Pension and Carer Payment
- DVA Partner Service Pension AND Carer Allowance
- DVA Carer Service Pension.

Those who receive both the Carer Payment AND the Carer Allowance will receive \$1,200 p.a.

The first Carer Supplement payment will be made before July 2009, with ongoing payment made from July 2010 onwards.

Please note

Most of these changes are only proposed at this stage and require approval by both houses of parliament before they take effect.

Parliament may seek to make amendments to these proposed changes and, in some instances, it is possible they could fail to gain majority support.

Where proposals have been approved by parliament, we have added a stamp:



Before making any decision based on the information contained in this Fact Sheet you should verify for yourself that the information is correct and the significance any of these changes may have on your own personal circumstances. You should make sure any choices you make are right for you.

For further information regarding the 2009/10 Federal Budget and its impact on superannuation and the age pension, please contact Centrelink on 13 23 00, visit www.centrelink.gov.au or www.budget.gov.au