

Fact Sheet Federal Budget 2011

Key Focus

- ▶ Higher super caps for anyone 50 and over
- ▶ Super accounts higher than \$500,000
- ▶ One-off option to refund excess concessional contributions
- ▶ Government co-contribution income thresholds stay the same
- ▶ Changes to minimum pension amounts in 2011/12 and 2012/13
- ▶ Changes to Centrelink's work bonus scheme

Summary

The following is a summary of the main changes to superannuation and Centrelink as announced in the 2011 Federal Budget. The Government has also reconfirmed the key proposals announced last year in relation to taxpayers having access to the lower contribution cap once their super savings exceed \$500,000 although the detail in this proposal is still to be released.

We have limited ourselves to explaining the main changes we believe are most relevant to our members.

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

Superannuation proposals

▶ Higher super caps for anyone 50 and over

The Government has confirmed that from 1 July 2012 a higher concessional contributions cap will apply for anyone 50 and over who has total superannuation balance of less than \$500,000.

This clarifies the measure that was introduced in the 2010 Federal Budget although we are still waiting on further details in regards to individuals who have a total super balance greater than \$500,000.

The standard concessional cap is currently set at \$25,000 and it will increase from time to time with indexation. When it does, the higher cap will be adjusted to be exactly \$25,000 higher than the new standard cap. The higher cap is currently \$50,000.

▶ Comment

It is strongly recommended that members who are nearing balances of \$500,000 seek advice immediately. Strategies such as super splitting with your spouse may help in keeping your balance below \$500,000 which will allow you to access a higher contribution cap.



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▶ One-off option to refund excess concessional contributions

The Government has announced it will provide a one-off opportunity to withdraw excess concessional contributions (ie. employer and salary sacrifice) made during the 2011/12 or later financial years. This withdrawal opportunity is limited to excess concessional contributions of up to \$10,000.

This means that instead of the contributions being subject to 46.5% tax within a super fund, the refunded excess concessional contributions will be assessable personally to the client and taxed at their marginal rate of tax.

▶ Comment

This measure should assist many members who unintentionally breach their contributions cap in future financial years, even though it's only once.

What is disappointing is that no relief has been provided to members who breach their cap in the 2010/11 or previous financial years.

► **Government Co-contribution income threshold frozen until 2012/13**

The Government has announced that it will extend the freeze on indexation of the co-contribution income thresholds to 2012/13. This means the lower and upper co-contribution income thresholds will remain at \$31,920 and \$61,920 respectively until 30 June 2013.

The Government currently provides a matching contribution of up to \$1,000 for people with incomes of up to \$31,920 and then is phased down for incomes up to \$61,920.

► **Comment**

Whilst disappointing that the thresholds are not indexed, it remains a generous scheme for part time and casual workers. If you are retired and do some casual work from time to time, you may be eligible for a Government co-contribution if you make a personal contribution. Please call us for more information.

► **Superannuation pension minimum income changes**

The Government has announced that minimum payment amounts for superannuation pensions will be set at 75% of legislated minimums for 2011/12 and will then return to normal in 2012/13.

The minimum annual income payment for account based and pre-retirement pensions will be calculated as a percentage of the account balance at 1st July this year as follows:

Age	Current minimum annual payment (2010-11)	Proposed minimum annual payment (2011-12)	Proposed minimum annual payment (2012-13)
Under 65	2.0%	3.0%	4.0%
65-74	2.5%	3.75%	5.0%
75-79	3.0%	4.5%	6.0%
80-84	3.5%	5.25%	7.0%
85-89	4.5%	6.75%	9.0%
90-94	5.5%	8.25%	11.0%
95 +	7.0%	10.5%	14.0%

General advice warning

The information provided is not intended as financial advice. It does not take into account specific needs, so you should consider your personal position, objectives and requirements before taking any action. The information is also subject to change.

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► **Comment**

Members who have commenced account based and pre-retirement pensions drawing the minimum income will need to reassess their situation as they will now be required to draw a higher income from next financial year.

► **Centrelink work bonus enhanced**

The Government has confirmed a pre-election announcement concerning the work bonus. From 1st July 2011, the first \$250 of employment income per fortnight will be excluded from the pension income test under the new work bonus proposals.

In addition to this, an employment 'income bank' will be introduced that will allow pensioners to accrue unused amounts of the fortnightly work bonus up to a maximum of \$6,500. This 'income bank' can be used to offset employment income in future years.

► **Comment**

This is a good announcement and may assist our members who are at or are about to reach age pension age and want to continue working in some capacity. If the income test determines their age pension, they may be eligible to receive a higher Government pension.

Conclusion

As stated earlier, this is only a summary of what we consider to be the main issues proposed in this year's Federal Budget that will impact our members.

It is important to keep in mind that these proposals require legislation to be drafted and passed through Parliament before becoming law.

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.