

## 2010 Federal Budget summary

On 11 May 2010, the Federal Government handed down the Federal Budget for 2010/11

Here's a summary of the key superannuation announcements, and how these may affect you

From a superannuation and investment perspective, there were no big surprises, particularly as most of the changes had been announced in the Henry Review the previous week. However, as some of the announcements may affect your super and pension savings, it's important to understand what they are and how they may impact you.

### Overview

Maritime Super generally welcomes the budget measures, which will see super accounts boosted for the average worker, help us meet the needs of an ageing society, encourage greater national savings (both inside and outside superannuation) and provide a resilient source of income for infrastructure projects.

We have outlined the key changes for super and provided an overview for members at different life stages and income. It's important to remember that the changes outlined are proposals only and will not take effect until legislation has been passed.

### Key changes

One of the most exciting changes proposed for superannuation is the gradual increase, between 1 July 2013 and 1 July 2019, of the compulsory Superannuation Guarantee (SG) contribution your employer makes into your super from its current 9% of your ordinary time earnings to 12%, or the equivalent minimum benefit if you are a defined benefit member.

This is separate from any award, specific agreement you may have with your employer or any compulsory member contributions you make, and is welcome news because it means that you'll have more money working for your retirement.



If you are currently making or thinking of making salary sacrifice payments, it may be worthwhile seeking advice on how these proposed changes affect you.

Another great proposal to help you build your super is the extension of the SG employer contributions until age 75, provided that you continue to meet the work test. This is an increase from the current age of 70 and is proposed to commence on 1 July 2013.

### Members aged 50 years and over

For members in this age bracket, the Government announced a key proposal designed to provide a greater incentive to those with a low account balance. From 1 July 2012, if your super balance is less than \$500,000, you will still be able to receive concessional contributions up to \$50,000 a year (indexed) through your before-tax (salary sacrifice) and employer contributions. Under the previous budget, the \$50,000 contribution limit would have reduced to \$25,000 on 1 July 2012.

If your balance is over \$500,000, the \$25,000 limit will still apply.



As you near retirement, it may pay to seek advice on how to make the most of these changes and how they may affect you.



**ACT NOW - 30 June is approaching fast!**

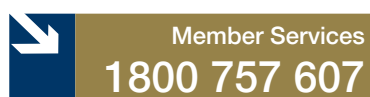
If you are eligible for the co-contribution, don't forget to get your contributions in before **30 June 2010**.

For more information, contact Member Services or visit [www.maritimesuper.com.au](http://www.maritimesuper.com.au)

## What should I do?

If you'd like more information on related topics, visit our website at [www.maritimesuper.com.au](http://www.maritimesuper.com.au) or contact Member Services.

To understand how these changes affect you, or to get advice on wealth creation, retirement planning, maximising Centrelink benefits and more, speak with a financial planner - contact Member Services today to make an appointment.



## Allocated, Working Income Support and Term Allocated Pensioners

The halving of the account-based pension minimums for the 2008/2009 and 2009/2010 financial years has not been extended. This means that if you had taken advantage of this relief in previous years, you will need to take an increased amount from your pension from the 2010/2011 financial year onwards.



To learn more about the account-based pension minimums for 2010/2011, contact Member Services, visit our website at [www.maritimesuper.com.au](http://www.maritimesuper.com.au) or seek advice from one of Maritime Super's affiliated financial planners.

## Low income earners

There is both good and bad news for low income earners:

- The good news is that the Government has announced a new superannuation contributions tax rebate for low income earners, to be paid directly into super accounts. The rebate will apply to low income earners in respect of contributions made after 1 July 2012. A maximum tax rebate of \$500 will be provided for workers with an adjusted taxable income of up to \$37,000 pa. This is based on employer and before-tax contributions of at least \$3,333 for the year – making it fairer for low income earners. For members with an after tax income of less than \$37,000, it may pay to seek advice regarding how this change affects you.
- However, the Government will permanently retain the reduced matching rate for the superannuation co-contribution at 100%, with the maximum co-contribution payable remaining at \$1000. This means if you are eligible and qualify for the maximum co-contribution, and you contribute up to \$1000, the government will still match your contribution.
- For the next two financial years, the Government will also freeze the maximum annual income you can earn to be eligible for the co-contribution. From 1 July 2010 the threshold for entitlement to the maximum co-contribution will remain at \$31,920 and the threshold for an entitlement to any co-contribution will remain at \$61,920. Previously, this would have increased by the annual increase in average wages.



Receiving a contributions tax rebate into your super account is a great initiative, and although the decision to permanently reduce the matching rate for co-contributions and freeze the maximum threshold is not fabulous news, the co-contribution scheme is still very attractive for lower income earners.



For more information about the entire budget, there's a good summary at The Association of Superannuation Funds' (ASFA) Super Guru website – visit their website at [www.superguru.com.au](http://www.superguru.com.au).

## Other changes that may be of interest

In the Federal Budget, a number of other changes were announced that may interest you.

- Income tax cuts from 1 July 2010.
- From 1 July 2011, a 50% tax discount will apply on up to the first \$1,000 of interest income earned in a financial year.
- From 1 July 2012, you can opt to claim a standard deduction of \$500 on your tax return instead of claiming work-related expenses and the cost of managing your tax affairs. This will increase to \$1,000 from 1 July 2013.