

Factsheet

May 2010

Central role of superannuation confirmed in Budget 2010

Treasurer Wayne Swan said that dealing with the financial pressures of an ageing population was one of the three key challenges addressed by the Federal Budget.

Accordingly, the Budget featured a number of measures to encourage Australians to save for their retirement, and confirmed the central role of superannuation.

Most of these changes were announced previously in the Government's response to the Henry Tax Review.

However, the Budget included a number of new measures. These changes apply from 1 July 2010 and include:

- The permanent reduction in the Government's co-contribution matching rate from 150% to 100%.
- A freeze on indexation for the level of income that determines when maximum co-contributions begin to taper off. The freeze on thresholds will remain for the next two years. The maximum contribution from the government is currently \$1,000 for people with incomes up to \$31,920. The level of government support then tapers off until the income reaches \$61,920. This measure is expected to deliver savings of \$295 million over four years.
- Money was also allocated to improve the administration of the co-contribution scheme.
- The time limit for making deductible employer superannuation contributions for former employees has been increased.
- Extension of the current temporary tax deduction for eligible

contributions made to a previous fund where the member has subsequently transferred to another fund.

- Increased funding for the Superannuation Complaints Tribunal.
- Providing for the transfer of unclaimed super held by the States and Territories to the ATO.

Henry Review measures confirmed

Initiatives outlined in the Government's response to the Henry Review were confirmed in the Budget.

- All workers will benefit from an incremental increase in the Superannuation Guarantee (SG) from 9% to 12% between 2013-14 and 2019-20. It is estimated that this major reform will benefit 8.4 million Australians.
- From 1 July 2013 older workers will be able to receive SG up to 75 years, rather than 70.
- From 1 July 2012 the cap on annual concessional contributions will increase to \$50,000, where members have less than \$500,000 accumulated in their super.
- From 2012-13, and first paid in 2013-14, a new superannuation contribution of up to \$500 (not indexed) will be provided by the Government for individuals with adjusted taxable incomes up to \$37,000.

Earlier return to Budget surplus predicted

The Budget's overall theme was to get the country back into surplus as quickly as possible. This follows deficits in the previous two years to combat the global financial crisis.

The Government is projecting a return to surplus in 2012-13, three years earlier than previously thought, thanks largely to a cap on spending, strong growth in tax receipts from a surging national economy, and the estimated revenue from the recently announced Resource Super Profits Tax from 1 July 2012.

The Government also found room for significant new spending in the next 12 months on electorally popular areas such as health and climate change.

Incentives to save

Looking further ahead to 2012-13 and beyond, the Budget was dominated by cuts to business taxes, new spending on infrastructure and an expanded range of measures to encourage Australians to save.

Included was a boost for short-term savings in the form of a 50% tax deduction for up to \$1,000 in annual interest income from savings in deposit-taking financial institutions, which will take effect from 1 July 2011.

In effect, the measure will tax such interest income at half the individual's nominal tax rate.

If you have any questions about the recent announcements and whether they affect your retirement savings with legalsuper, please contact us on:

Phone: 1800 060 312 Monday to Friday between 8.30am and 8.00pm

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