



2011 Federal Budget

Asset Super Fact Sheet

13 May 2011

In the 2011 Federal Budget, delivered on 10 May, Treasurer Wayne Swan reinforced the importance of superannuation as the Government's preferred way for people to save for their retirement. In doing so he re-stated some of the generous tax concessions that super enjoys.

The Budget included a few small changes, but nothing that lessens the attractiveness of super. The more important changes that may affect Asset's super and pension members are outlined in this fact sheet. When considering this information, keep in mind that it is early days and many changes will require legislation to be passed to become law.

Contribution caps and tax penalties

Super's tax advantages make it an attractive way to save and invest, so there is a strong incentive to maximise the contributions going into your account. There is a trap, however, that can result in you paying penalty taxes. That can happen if your employer's compulsory contributions plus any salary sacrifice or other tax-deductible contributions exceed what is called your **concessional contributions cap**. This cap is currently set at \$25,000 a year, or \$50,000 a year if you are aged 50 or over.

In the Budget, the Government introduced two measures that will make it easier to avoid this penalty tax trap in future.

Firstly, from 1 July 2012 your regular payslips from your employer will show the contributions actually paid into your super account.

Secondly, from the 2011/12 financial year, if you do inadvertently breach your concessional cap by less than \$10,000 you will have the option of withdrawing the excess from the fund and paying tax on it at your marginal

tax rate instead of the penalty rate of 46.5%. This is to be a once-off opportunity, and will only apply in the first year in which a breach occurs.

These measures are welcome, but they don't remove the need to plan and monitor your super contributions carefully. For more information about contribution caps and how they work, go to www.assetsuper.com.au.

Super information on your payslips

As mentioned before, from 1 July 2012 your employer will be required to show on your payslips the contributions they have actually paid into your super account. This will include your compulsory Superannuation Guarantee contributions, any salary sacrifice as well as any additional personal contributions that you have agreed to contribute to your super account.

You and your employer will also receive quarterly notification from the fund if regular contributions have ceased for any reason.

Between them, these measures will make it easier for you to keep in touch with your super, make sure contributions are being paid regularly and avoid any accidental breach of your contribution cap.

Contribution caps from July 2012

On the subject of contribution caps, the Budget announcement clarified how the concession for people aged over 50 will apply from 1 July 2012.

The general concessional cap is currently \$25,000 a year, and this figure is indexed to average earnings and will

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increase in multiples of \$5,000. For people aged 50 or over, a higher cap of \$50,000 a year currently applies.

From 1 July 2012, the higher cap for people over 50 will continue, but only if their super balance at the start of the financial year is less than \$500,000. The higher cap will be \$25,000 more than the general cap. So, for example, if the general cap increases to \$30,000 as a result of indexation, the higher cap for that year will be \$55,000.

Co-contribution thresholds frozen until June 2013

The income thresholds that determine eligibility for the Government’s co-contribution payments have been frozen for a further year, so the current limits will apply until 30 June 2013 at least.

The lower income limit, above which co-contributions start to be scaled back, is \$31,920 a year. The upper income limit, beyond which co-contributions cease to be paid, is \$61,920 a year. This includes fringe benefits and any pay that goes into your super as a salary sacrifice contribution.

While this freezing of the thresholds will affect some people, co-contributions will still be an attractive way for low and middle income earners to receive an annual boost to their super accounts. For more information on how the system works, see our separate **Co-contributions** fact sheet.

Pension drawdown relief extended for another year

For the past three years, the Government has allowed people with account-based pensions (such as Asset Flexible Pension) to drawdown as little as half the normal statutory minimum amount. This was to allow people whose accounts were diminished during the global financial crisis to restore some of that lost value.

The normal minimum drawdowns were to have been restored from 1 July 2011, but the Government has announced that limited relief (a 25% reduction instead of 50%) will continue for the 2011/12 financial year. The normal minimums will now apply from 1 July 2012.

The following table shows the reduced percentage (**as % of account balance**) that will apply in 2011/12 and the normal minimum percentages that will be effective 2012/13.

Age at 1 July 2011	Reduced drawdown % for 2011/12	Normal minimum drawdown for 2012/13
Under 65	3%	4%
65-74	3.75%	5%
75-79	4.5%	6%
80-84	5.25%	7%
85-89	6.75%	9%
90-94	8.25%	11%
95 or over	10.5%	14%

Asset members will receive notification in June 2011 of the minimum pension payments they must receive in 2011/12 and will be able to nominate their chosen amount for the year.

Introduction of the flood levy

The Budget confirmed that the 2010/11 income tax rates and thresholds will apply in 2011/12. The Treasurer also confirmed an earlier announcement to introduce a flood levy for the 2011/12 year to assist affected communities recover from the recent floods and rebuild essential infrastructure.

If you earn over \$50,000, your employer will take out an additional amount from your first pay after 1 July 2011 and each pay in 2011/12 for the flood levy. The amount of the levy is detailed in the following table:

Taxable income	Flood levy on this income
\$0 to \$ 50,000	Nil
\$50,001 to \$100,000	Half a cent for each \$1 over \$50,000
Over \$100,000	\$250 plus 1c for each \$1 over \$100,000

Employment termination payments and certain superannuation benefits paid to you, if they are income, will also be taxed in the same way. The levy will not apply to income you receive which is exempt from income tax e.g. superannuation benefits paid to a person over the age of 60 years.

So as always, it is important to seek advice in relation to tax payable if you are aged less than 60 and you are considering making a withdrawal from your super account in 2011/12.





Other measures confirmed

There were no changes to other measures that had already been announced. Most importantly, the Treasurer confirmed that the Superannuation Guarantee rate is to increase progressively from 2013-14 from the current 9% to 12% by July 2019. The Superannuation Guarantee Age Limit will also increase from age 70 to 75 from 2013-14.

The Government's focus continues to be in the Stronger Super announcements which were a result of the Cooper Review undertaken in 2010. The Treasurer provided more detail about how the MySuper provisions would be funded from 2012.

However, much of the detail surrounding the MySuper provisions is still being formulated. The Government is currently consulting with the industry and it is expected that details will be available later this year. More information will be provided to members when these provisions are confirmed.

The Treasurer also confirmed that the Government will allow Fund Trustees to make greater use of tax file numbers to locate member accounts from 1 July 2011 and to facilitate the consolidation of multiple member accounts from 1 July 2012.

Advice when you need it

The Budget provides a good opportunity to review your existing superannuation arrangements. If you want to know how the Government's proposals might affect you or, even if you'd like to be reassured that they won't, professional advice is available.

As an Asset member, you have access to personal financial advice through our arrangement with Money Solutions Pty Limited (Money Solutions). The advice is provided by a qualified financial planner and, as long as it covers a single issue relating to your Asset membership – it's at no cost to you.

If you need more complex advice, your Money Solutions planner can provide that, too, for a fee that they'll agree with you in advance.

More information

The complete 2011 Federal Budget announcement can be found at www.budget.gov.au.

To find out more about Asset Super and to obtain a current Product Disclosure Statement, please contact us on **1800 805 981**.

To see the full range of Asset Super fact sheets, please visit www.assetsuper.com.au.



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