

M&CO Newsflash

2009 Federal Budget

MOU Signed to Allow Portability between Australian and New Zealand Super Schemes, an interesting precedent. The Government has agreed in principle to the signing of a memorandum of understanding with New Zealand to establish a trans-Tasman retirement savings portability scheme. The scheme will have effect from a date set in accordance with the memorandum of understanding. The final details of the scheme are currently being settled with New Zealand. The trans-Tasman portability scheme will permit transfers of superannuation savings between certain Australian superannuation funds and New Zealand KiwiSaver funds. Currently, members of Australian superannuation funds may only transfer their retirement savings within the Australian superannuation system.

Commitment to Tax-Free Super for Over 60's Remains... for now. The Government is presently undertaking a comprehensive review of the Australian taxation system, called the "Henry Review", that had previously indicated it would not be considering the tax-free status of superannuation for people over 60yrs of age. However, that was before the present Global Financial Crisis or "GFC". So considering tax-free super payouts for over 60's must look like such a mouth-wateringly under-taxed morsel to a Treasurer, here's what he said:- "The Government has commissioned a comprehensive review of Australia's tax system to create a tax structure that will position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century. The review will encompass Australian Government and State taxes, and interactions with the transfer system. It reflects the Government's policies not to increase the rate or broaden the base of the GST and to preserve the tax-free status of superannuation payments for those aged over 60".

Concessional Super Contributions Cut for the 2009/10 years onwards, but will not affect contributions made on or before 30 June 2009. As widely leaked in the days leading up to the Budget, the Government has halved the concessional (deductible) contributions for those under 50 years of age (from \$50,000p.a. to \$25,000pa.) & also for those over 50 years (from

\$100,000p.a. to \$50,000p.a.). In relation to over 50's, the Government has indicated that this deduction will be further reduced from \$50,000p.a. to the same level as under 50's from the 2012/13 financial year onwards

Halving of Minimum Pension Drawdown to Continue in 2009/10. Earlier in the year, the Government announced that for the 2008/09 financial year, the minimum drawdown amount for pensions would be reduced by 50%. The Government has now decided to extend this concession to the 2009/10 year. So, for example, whereas the usual minimum amount to be drawn-down by members aged under 65yrs of age receiving a minimum-only pension would be 4%, for 2008/09 (and now for 2009/10) it will be 2%.

Government Co-Contribution to be temporarily Reduced from 1 July 2009 onwards. The Government Co-Contribution will reduce to a maximum matching rate of 100% of an eligible member's contributions. The other conditions (to do with eligibility and shade-out requirements) will remain unchanged. The maximum Co-Contribution rate will then be gradually increased again as follows: from 2012/13 - 125%; from 2014/15 onwards - 150%.

Superannuation Pension Amounts Not To Be Included in Seniors Health Card Test. Previously, the Government had announced that the Commonwealth Seniors Health Card income test was to be amended to include gross tax-free superannuation pension income as part of the adjusted taxable income test. The Government will not, proceed with that. [No reason given, however potentially affected people indicated that it would have been a vote-changer for a huge majority of them.]

The decision to add-back any salary sacrifice contributions to adjusted taxable income will remain, with effect from 1 July 2009. *Acknowledgement: Pro-Super.*

Please do call or email for an appointment or phone review if need be, well before 30th June 2009, to discuss how this may affect your retirement funding strategy.

JDM & TEAM Brisbane.

The above information is of a general nature only. It is not client specific advice and does not take into account the objectives, financial situation or needs of any particular person. If you wish to discuss how this information may be relevant to your individual circumstances, please call, fax or email us as per below. In accordance with the SPAM Act, we will continue to send this information to you unless you advise us by email to the contrary.

A service of **M & Co Financial**

T 61 7 3831 6088 | F 61 7 3831 2444 | E info@mcofinancial.com | W www.mcofinancial.com