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Q 1: Can you please explain the major changes to superannuation announced in last week's Federal Budget?

J.T., CANBERRA

A 1: After much speculation, superannuation has been largely untouched in the 2013 Federal Budget with any major changes previously announced during the year. To summarise the key points (keeping in mind that before any of these announcements can be implemented, they will require passage of legislation into law):

- From 1 July 2013 people aged 60 or over will be allowed to make concessional (pre tax) contributions to superannuation up to \$35,000 pa, which is up from the current \$25,000 pa
- From 1 July 2014 people aged 50 or over will be allowed to make concessional (pre tax) contributions to superannuation up to \$35,000 pa, which is up from the current \$25,000 pa
- The concessional contribution limits are to remain at \$25,000 for those under 50 years of age of the next 2 years
- From 1 July 2014 people aged under 50 are expected to be allowed to make concessional (pre tax) contributions to superannuation up to \$30,000 pa (after allowing for the planned indexing increase), which is up from the current \$25,000 pa
- From 1 July 2012 individuals earning over \$300,000 pa will pay 30% superannuation contributions tax on concessional contributions, instead of the current 15% - currently all contributions receive a tax concession of 30%, meaning a 15% contributions tax rather than a 45% contributions tax. This concession is to reduce to only 15% for those earning over \$300,000 pa.
- From 1 July 2014 all earnings on assets supporting superannuation income streams (including defined benefit pensions) will be tax free up to the first \$100,000 pa per member, with earnings over this amount being taxed at 15% - Note that this would broadly mean a member having superannuation / retirement fund assets totaling over \$2 Million to be required to pay some tax, or selling an asset such as a property in a Self Managed Super Fund and creating a large capital gain. Some transition arrangements apply to existing assets
- From 1 July 2013 individuals will be allowed to withdraw any excess concessional superannuation contributions (contributions over the new limits above) from their super fund and pay tax at their marginal tax rate, plus an interest charge, instead of the current 46.5% penalty rate

While a positive is the view to increasing concessional contribution limits, the negative is that some additional taxes are to be paid for those on large incomes or with large superannuation / retirement assets. Despite the negative changes, superannuation still remains a very effective tool for building wealth for retirement.

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