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Federal Budget introduces super change

The 2009 Federal Budget has been released with some key changes to superannuation that will affect many Australians; how they contribute to their super and plan for retirement.

With Australian's facing some testing times in the present economic climate, the Federal Government has released a Budget that reflects our current recession status.

According to local super fund Quadrant, as a result of the government tightening up its economic belt, superannuation certainly hasn't been left untouched.

There are two main changes that will affect superannuation, which in turn may change the way super fund members contribute. Most notably are annual caps for superannuation concessions.

Quadrant CEO Wayne Davy, said that whilst the changes do have some impact on the favourable tax environment for super, it's worth remembering that they only affect a small percentage of the population and that for most of us, super continues to represent a sound long term investment vehicle for a healthy retirement.

"If you intend to contribute more than \$25,000 to super through employer contributions and salary sacrifice each year this may affect you. The amount of money you can contribute to super that is taxed at the concessional tax rate of 15% will be halved from 1 July 2009," Mr Davy said.

"If you are under 50 years of age the amount you can contribute to super this way will be reduced from \$50,000 to \$25,000 per year. If you are over 50 years of age the annual cap will be reduced from \$100,000 to \$50,000 per year. If your contributions exceed these caps, tax on your contributions will jump from 15% to 46.5% and you would certainly want to avoid that," he said.

"For most Australian's, this will not be anything to worry about. Infact the Australian Superannuation Funds Association (ASFA) predict the reduction in the annual cap for concessional super contributions will impact less than 4% of people who salary sacrifice into super," he said.

According to Mr Davy the other main change that may affect a larger portion of the Australian public is the temporary reduction of the Government co-contribution for contributions made after 1 July 2009.

"If you make personal contributions to your super and are eligible to access the co-contribution next year, the amount the Government will contribute to your super will change from \$1,500 to \$1,000."



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“The rate is scheduled to gradually return to \$1,500 by 2014 but even with the reduction, this initiative still represents a good way to boost retirement savings for middle and lower income earners,” he said.

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