

MONEY SOLUTIONS

2009/2010 Federal Budget Update

Important: the 2009/2010 Federal Budget changes outlined in this fact sheet are only **proposed** changes. Until they are formally passed by Government, all details are subject to change.

On 12 May 2009 the Federal Government announced a proposed national budget for the 2009/2010 financial year. The proposed budget included extra income for pensioners and carers and reduced benefits for those in higher income tax brackets.

Some of the key proposed changes include:

- A reduction in concessional superannuation limits
- A continuation of the minimum pension drawdown relief
- A temporary reduction in co-contribution maximum payments
- An increase in the Medicare Levy low income threshold

Some of the proposed changes to Centrelink benefits include:

- An increase in the full pension rate for singles and couples
- An increase in the taper rate from 40 cents to 50 cents in the dollar, under the Income Test
- A decision to disregard some employment income for the purposes of the Income Test
- A decision to end the Pension Bonus Scheme after 20 September 2009
- A gradual increase in the Age Pension age, from 65 to 67 by 2023

It is important to note that the changes outlined below are only **proposed** changes. Until the Budget is passed, **all** details are subject to change.

Superannuation

- From 1 July 2009, the concessional contributions cap will halve.
- For people under age 50, the concessional cap will be \$25,000 a year.
- For people over age 50, the transitional concessional cap will be available until 30/6/12 and will be \$50,000.
- The concessional cap includes employer SGC payments, salary sacrificed superannuation contributions and other superannuation contributions for which a tax payer claims a tax deduction.

Offices:

Sydney, Melbourne & Brisbane

T: 1800 046 144

W: www.moneysolutions.com.au

E: info@moneysolutions.com.au



MONEY
SOLUTIONS

© MONEY SOLUTIONS Pty Ltd 2009

ABN 36 105 811 836 AFSL 258145

Account-based pensions

The 50% drawdown relief for account based pensions, allocated pensions and term allocated pensions has been extended for the 2009/2010 financial year. This means that the minimum pension payments for the 2008/2009 and 2009/2010 financial years are as follows:

Age	Minimum annual pension payment
Under 65	2%
65 - 74	2.5%
75 - 79	3%
80 - 84	3.5%
85 - 89	4.5%
90 - 94	5.5%
95 and over	7%



Superannuation co-contribution

The matching rate and amount of Government co-contributions to superannuation will be reduced over a five-year period from 1 July 2009. The new maximum rates for Government co-contribution are summarised in the table below.

Financial Year	Co-contribution rate	Phase out
2009/2010 2010/2011 2011/2012	100% - max \$1,000	Reduced by 3.333 cents per dollar above minimum threshold
2012/2013 2013/2014	125% - max \$1,250	Reduced by 4.167 cents per dollar above minimum threshold
2014/2015 onwards	150% - max \$1,500	Reduced by 5 cents per dollar above minimum threshold

Medicare Levy

The low income threshold (ie the maximum amount a taxpayer can earn before they are required to pay the Medicare Levy) has been increased for the 2008/2009 financial year, as follows:

- Singles increase to \$17,794
- Couples increase to \$30,025

Centrelink Pension payment rates

There will be an increase to Centrelink pension payment rates for recipients of the Age Pension, Wife Pension, Disability Support Pension and Service Pension. Recipients of the Carer Payment, Bereavement Allowance, Widow B Pension, Income Support Supplement and War Widowers Allowance will also benefit from the increase. The additional payments will include an increase in the base payment rate and a supplement.

- Singles on the full rate pension – an increase of **\$32.49 a week**.
- Couples (combined) on the full rate pension – an increase of **\$10.14 a week**.

Centrelink Income Test

The income test taper rate which is used to determine eligibility for various social security payments will increase as follows:

- Income test taper will increase from 40 cents in the dollar to 50 cents in the dollar for income above the relevant threshold. A transitional safety net will apply to keep existing entitlements. Singles will still receive an additional \$10.14 each week and couples will share an additional \$10.14 each week. This is to ensure that those currently assessed under the Income Test are not disadvantaged. Affected recipients will forego future pension payment increases until they are in line with the new taper rates.
- For income test purposes, half of the first \$500 per fortnight that working Pensioners earn from employment will not be counted.

Pension Bonus Scheme

The Pension Bonus Scheme (PBS) will cease from 20 September 2009. Existing members, as at 20 September 2009, will be able to remain in the Scheme. This means that anyone who has or will reach their Age Pension age before this date and who intends to continue to work, will need to register for the Pension Bonus Scheme before 20 September 2009 to be eligible for PBS payments on retirement.

Age Pension age

The qualifying age for the Age Pension and Commonwealth Seniors Health Card will increase for people born on or after 1 July 1952.

Affects people born	New age pension age
1 July 1952 to 31 December 1953	65 years and 6 months
1 January 1954 to 30 June 1955	66 years
1 July 1955 to 31 December 1956	66 years and 6 months
From 1 January 1957	67 years

Commonwealth Seniors Health Card – Income Test

There will be **no change** to the income test, as originally proposed.

Any questions? Call 1800 046 144 or visit: www.moneysolutions.com.au

DISCLAIMER

This fact sheet is intended to provide information of a general nature only. We have not taken into account your personal goals, financial situation or needs. Remember, each person's situation is different. For personal advice contact Money Solutions.