

Budget update

2009 Federal Budget

The 2009 Federal Budget was faced with reduced revenue as a result of the slowing economy. As a result, some areas were targeted to assist in funding expenditure, one being superannuation.

The impacts on superannuation include contribution limits, lost members and changes to the definition of ordinary time earnings. The good news is that the Government has extended the 50% reduction in the minimum drawdown amount applying to account based pensions for a further 12 months.

While not directly affecting superannuation itself, the Government has made changes to the Government age pension including the amount of the pension, pension access rules and the pension income test. This also includes the increase in the qualifying age for the age pension from age 65 to 67 by 2023. Only new entrants to the pension system from 1 July 2017 will be affected.

For further information about these changes please refer to www.budget.gov.au or see your financial adviser.

A summary of the superannuation changes affecting members is provided below.

Contribution cap changes

Effective 1 July 2009, the Government has announced that the concessional contribution cap will be reduced to \$25,000 p.a.(indexed).

The transition contribution cap applied to individuals aged 50 and over (applying during the transitional period of 2007/2008 to 2011/2012) will be halved from \$100,000 to \$50,000 (not indexed).

The non-concessional contribution cap has been set at six times the concessional contribution cap and for 2009/2010 will remain unchanged at \$150,000. It will increase when the lower \$25,000 contribution cap is increased with indexation.

What this means to members: Members with available pre-tax income to invest in their super may wish to re-consider their strategy for the 2008/2009 year to take advantage of this year's higher caps. Members who have a regular salary sacrifice contribution arrangement may wish to review arrangements for the 2009/2010 year to ensure they don't exceed the new concessional caps applying from 1 July 2009. These caps also apply to members utilising Transition to Retirement strategies that make concessional contributions in excess of \$50,000.

It is important to note that the concessional limits **include** SG contributions.

Explanation of terminology: Contributions fall into two groups, concessional contributions and non-concessional contributions. Generally, concessional contributions include before tax contributions paid by employers (including superannuation guarantee and salary sacrifice contributions). Non-concessional contributions are personal after-tax contributions.

Government Co-contributions Scheme

The Government Co-contribution scheme for non-concessional contributions has been temporarily reduced from \$1,500 to \$1,000 from 1 July 2009. From 2012 the amount will start to increase each year again reaching \$1,500 by 2015 as set out in the table below.

Contribution year	Matching rate %	Maximum co-contribution
2009 - 2010	100	\$1,000
2010 - 2011	100	\$1,000
2011 - 2012	100	\$1,000
2012 - 2013	125	\$1,250
2013 - 2014	125	\$1,250
2014 - 2015	150	\$1,500

What this means to members: Eligible members may wish to take advantage of the higher co-contribution rate this year and make a post tax contribution to RecruitmentSuper prior to 1 July 2009. However, the scheme is still generous and continues with the same eligibility criteria next year.

Explanation of terminology: The Co-contribution scheme is the Australian Government's way of assisting lower income earners to boost their super savings. If you are eligible and make post-tax personal super contributions to your super fund, the Government will match your personal super contribution with a co-contribution up to certain limits. Visit the ATO website (www.ato.gov.au) or visit our website to find out more.

Lost accounts to be transferred to the ATO

From 1 July 2010, all superannuation providers, including RecruitmentSuper, will be required to transfer accounts of lost members with balances of less than \$200, and those accounts which have been inactive for five years and have insufficient records to identify the owner of the account (irrespective of the size of the account balance) to unclaimed monies.

What this means to members: This means that where you lose contact with us, the Government may eventually end up with your super. Don't let this happen. Stay in touch with your super. While you can always claim your super back from the Government, it is important for members to ensure they are aware of where all their superannuation is located, consolidate any small accounts, and check the lost members register (www.ato.gov.au/super). RecruitmentSuper provides a handy online consolidation tool to help members transfer their super - visit www.rsonlineexpress.com.au for more information.

For more information, visit www.budget.gov.au