

## Budget 2009

### *What does it mean for IRIS members?*

The recent Australian Federal Budget released on Tuesday, 12 May 2009 announced some changes to pension accounts that may have a direct impact on IRIS members. In this issue of *Talking Pensions* we look at these proposed changes and their potential affect on your IRIS account and your retirement plans.

It is however important to note that most of the Treasurer's announcements are only proposed and can not be implemented until they are ratified by the Senate, where the government does not have a majority.

While it is anticipated that most of the budget measures will be passed by the Senate, it is important to keep up-to-date when this happens and any amendments to the proposed legislation that may occur.

## The Good

### 1. Temporary reduction in minimum pension drawdown limits extended

As widely anticipated, the current temporary arrangement allowing a 50% reduction in the minimum annual payments for retirement income streams will be extended to the end of the 2009-10 financial year (30 June 2010).

This extension to the minimum income drawdown requirements acknowledges that while over recent months there have been some signs of stabilisation in investment markets, these have not as yet significantly impacted asset values/balances.

*This announcement may only be useful to those members who have other sources of income eg. investments outside super or a salary, or where the minimum payment you drawdown from your income stream is more income than required.*

We strongly suggest that you obtain professional advice on the implications on your personal situation of reducing your income payments for the 2009/2010 financial year.

### 2. Increased access to Centrelink services/benefits

#### Seniors Health Card

- The previously announced changes to the Commonwealth Seniors Health Card Income Test to include tax free superannuation income will not proceed. Current arrangements will remain.

#### Seniors Supplement

- From 20 September 2009, around 300,000 self-funded retirees will have access to the Seniors Supplement.

This supplement is currently \$790.40 per annum for singles and \$1,190.80 for couples combined, with payments made quarterly. Retirees eligible for the Commonwealth Seniors Health Card or the DVA Gold Card will receive the Seniors Supplement.

For more information about these services/benefits call Centrelink or visit their website: [www.centrelink.gov.au](http://www.centrelink.gov.au)

### 3. Previously announced changes to personal income tax rates will apply

The Budget confirmed that previously announced changes to personal income tax rates (from 1 July 2009 and 1 July 2010) will proceed.

While income received from your IRIS Pension continues to be tax free for members over 60 years of age, members aged under 60 who have income from other sources or who are still working (either part or full time) may benefit from this announcement.

In July 2009, all IRIS members will receive their annual notification of the new financial year minimum, and where applicable maximum income payment. This will contain more information on how to take advantage of this relief.

## New Tax Rates

2008-09		2009-10		2010-11	
Taxable income \$	Rate	Taxable income \$	Rate	Taxable income \$	Rate
0-6,000	0%	0-6,000	0%	0-6,000	0%
6,001-34,000	15%	6,001-35,000	15%	6,001-37,000	15%
34,001-80,000	30%	35,001-80,000	30%	37,001-80,000	30%
80,001-180,000	40%	80,001-180,000	38%	80,001-180,000	37%
180,001+	45%	180,001+	45%	180,001+	45%

Taxable income \$	Current tax \$ (2008-09)	Legislated tax \$ (2009-10)	Legislated tax \$ (2010-11)
30,000	3,600	3,600	3,600
35,000	4,500	4,350	4,350
75,000	16,500	16,350	16,050
80,000	18,000	17,850	17,550
150,000	46,000	44,450	43,450

Note: Medicare Levy and tax offsets are not included in figures above.

## The Not So Good

### 1. Changes to the concessional contribution cap may affect some IRIS members Transitioning to Retirement (TTR)

From 1 July 2009, the concessional contribution cap (contributions to superannuation which receive the 15% concessional tax rate) will be reduced. This includes employer, salary sacrifice and personal deductible contributions. The transitional cap for those over age 50 will also be reduced.

While this will have no impact on members who are fully retired, it may have a significant impact on the retirement planning strategies for those members who are currently 'transitioning to retirement'.

Financial year	Concessional Contribution cap under age 50		Transitional Concessional Contributions cap (over age 50)	
	Previous limits \$	Post Budget \$	Previous limits \$	Post Budget \$
2009-10	55,000	25,000	100,000	50,000
2010-11	55,000	25,000	100,000	50,000
2011-12	60,000	25,000	100,000	50,000
2012-13	60,000	25,000	60,000	25,000
2013-14	60,000	25,000	60,000	25,000
2014-15	65,000	30,000	65,000	30,000

Note: we have calculated the 2009-10 concessional contributions cap indexed to AWOTE @ 4% pa, rounded down to the nearest \$5,000. Some defined benefit members will have 'grandfathering arrangements' apply.

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### 2. What do these changes to the concessional cap mean?

- Investing higher amounts into Superannuation will be less tax effective after the end of this financial year. Members who are still contributing to super should, if possible maximise the higher limits before 30 June 2009.
- IRIS members with current contribution arrangements which exceed the new limits should review arrangements to ensure that the new concessional caps are not breached - the tax that applies to excess contributions is 31.5% plus 15% contributions tax. Excess concessional contributions will also count towards the non-concessional contributions cap.
- Members who were planning to maximise contributions as they neared full retirement will find this more difficult/less tax effective to do. It is recommended that IRIS members who were pursuing this retirement strategy should contact their financial planner and re-examine their retirement planning.
- The maximum amount that can be split to a spouse has also been reduced in line with the Concessional contribution limits.
- There were no changes announced to the non-concessional contribution limits or bring-forward rule.

### Recommended action

Any IRIS members who are currently contributing in excess of \$50,000 to super should speak to their financial planner as a matter of urgency to review these arrangements.

### Potential solutions may include:

- Reducing salary sacrifice or personal deductible contributions
- Reducing the income drawn from a TTR pension
- Possibly rolling some money in the TTR Pension back into Superannuation accumulation

### 3. Changes to Age Pension Taper Rates

From 20 September 2009, payment rates will be reduced by \$0.50 for each \$1.00 of extra income above the income test "free area". Transitional arrangements will apply for existing part pensioners affected by this change. Individuals who are worse off will continue to be assessed at the \$0.40 taper rate on the reduced base rate of pension (pre-20/9/09 rate) until they are better off under the new rules.

	Income per fortnight before taper commences	Pension currently cuts out at	Post 20 Sept 2009 cut-out
Singles	\$138	\$47,444	\$38,693
Couples	\$240	\$72,423	\$59,228

## Some of the other changes

The Budget also announced changes to a number of key areas in health and Centrelink age pensions that may affect some IRIS members including changes to:

- The Private health Insurance Rebate
- Medicare Levy Low Income Thresholds
- Low Income Tax Offset
- Continue to work incentives
- Increase in the Age Pension age
- Pensioner and beneficiary living cost index
- Family Tax Benefit parts A&B:
- Carer Payments
- Temporary reduction in Co Contributions scheme

## In summary

In this budget issue of *Talking Pensions* we have tried to only summarise those changes that may potentially affect IRIS members.

### Will there be more?

Currently, there are a number of enquiries into the sustainability of the Australian pension, superannuation and taxation systems.

These are either newly completed or due for completion over the new few months. It is anticipated that they will propose significant changes to some aspects of these systems.

However, the outcomes of these reviews will not impact the announcements made in this year's budget.

### Keep in touch!

IRIS will keep you up-to-date with changes as they are occur at [retirewithiris.com.au](http://retirewithiris.com.au) and the regular reports you receive.

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