

Fact Sheet for individuals

Overview of the 2009 Federal Budget

The Federal Budget, announced on 12 May 2009, proposed a number of changes to superannuation including reduced superannuation concessions and extending relief for account-based pensioners. This fact sheet outlines these changes and what they mean for you. Despite the changes, superannuation remains an effective vehicle for saving for your retirement.

Concessional contributions limit to be halved from 1 July 2009

When contribution limits were introduced on 1 July 2007, for the first time members needed to take on the responsibility of ensuring they didn't exceed the new caps. It is important for members to be aware that from 1 July 2009, the concessional (before-tax) contributions limit will be halved as shown in the below table.

The non-concessional (after-tax) contributions limit will be retained at \$150,000.

If you are making salary sacrifice contributions, you may want to check if the reduced limits impact you. You can do this by logging in to SuperSolution at www.russell.com.au, going to the 'Quotations' menu and selecting 'Concessional contributions'.

If you do exceed your limit you will be liable to pay tax at the top Marginal Rate (an additional 31.5% for excess concessional contributions and 46.5% for excess non-concessional

» *Using a transition to retirement strategy under the new rules*

View our case studies at the end of this fact sheet to see the impact these new rules will have on a transition to retirement strategy.

If you would like further information please call the Helpline on 1800 555 667.

Annual contribution limits	
Concessional contributions (before-tax)	Non-concessional contributions (after-tax)
2008/2009 Financial Year	
<ul style="list-style-type: none"> › \$50,000 if you are under age 50 › \$100,000 if you are aged 50 or older. 	<ul style="list-style-type: none"> › \$150,000 › If you are under age 65 you can make non-concessional contributions of up to \$450,000 over 3 years.
2009/2010 Financial Year	
<ul style="list-style-type: none"> › \$25,000 if you are under age 50 › \$50,000 if you are aged 50 or older. This limit applies until 30 June 2012. 	<ul style="list-style-type: none"> › \$150,000 › If you are under age 65 you can make non-concessional contributions of up to \$450,000 over 3 years.

contributions). **Remember that if you are contributing to more than one fund, you need to monitor your overall contributions.**

How will defined benefit members be impacted?

Please note 'grandfathering' arrangements will continue to apply to certain members with defined benefit interests as at 12 May 2009 whose notional taxed contributions would otherwise exceed the reduced cap. Because the limits have been reduced, more members are now captured in this arrangement.

If you are a defined benefit member and making salary sacrifice contributions to your super, it's a good time to check whether your notional concessional contributions may exceed the limit from 1 July 2009. If so, you may want to consider changing your current arrangements and making additional after-tax contributions, to ensure you don't exceed the reduced limits.

How will transition to retirement pensions be impacted?

Whilst there have been no changes to the structure of transition to retirement pensions, the reduction in the concessional contribution limit from \$100,000 per year to \$50,000 per year

Using a transition to retirement strategy under the new rules

You should review the amount you intend to salary sacrifice and take as a pension from 1 July 2009 to ensure your strategy continues to be effective. See the case study at the end of this fact sheet for an example.

If you would like further information please call the Helpline on 1800 555 667.

Maximum Co-contribution rate				
If you make a personal after-tax contribution of \$1,000:				
And your total income* is ▼	Your super Co-contribution for each financial year will be ▼			
	2008/2009	2009 /2010, 2010/2011, 2011/2012	2012/2013, 2013/2014	2014/2015
\$30,342 or less	\$1,500	\$1,000	\$1,250	\$1,500
\$32,342	\$1,400	\$933	\$1,167	\$1,400
\$34,342	\$1,300	\$867	\$1,083	\$1,300
\$36,342	\$1,200	\$800	\$1,000	\$1,200
\$38,342	\$1,100	\$733	\$917	\$1,100
\$40,342	\$1,000	\$667	\$833	\$1,000
\$42,342	\$900	\$600	\$750	\$900
\$44,342	\$800	\$533	\$667	\$800
\$46,342	\$700	\$467	\$583	\$700
\$48,342	\$600	\$400	\$500	\$600
\$50,342	\$500	\$333	\$417	\$500
\$52,342	\$400	\$267	\$333	\$400
\$54,342	\$300	\$200	\$250	\$300
\$56,342	\$200	\$133	\$167	\$200
\$58,342	\$100	\$67	\$83	\$100
\$60,342	\$0	\$0	\$0	\$0

* Total income is based on thresholds for the 2008/2009 financial year.
These are the latest thresholds available at the time of publication. Thresholds are indexed each year at 1 July.

for members over 50 may affect higher income earners using transition to retirement strategies.

Temporary reduction in co-contribution rate from 1 July 2009

The Government Co-contribution scheme was introduced as an incentive for members to make non-concessional (after-tax) contributions, whereby the Government would pay up to \$1,500 for every \$1,000 contributed in a year.

Effective 1 July 2009, there will be a temporary reduction to how much the Government matches for non-concessional

contributions made in the five years from 2009/2010 through to 2013/2014 financial year. Please refer to the above table.

Get in before the rate changes!

If you make your personal after-tax contribution by 30 June 2009 you may receive up to \$1,500 under the existing Co-contribution rates.

Pension drawdown relief extended for 12 months

In recognition of the impact of the markets on account-based pensions, the reduction in the minimum payment amount that was introduced in the 2008/2009 financial year will continue for a further 12 months. That is, the minimum payment amounts will continue to be 50% of the legislated minimums. Please refer to the table below for the minimums that will apply for the 2009/10 financial year.

Age	Minimum pension amount (to 30 June 2010)
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%

Establishment of a trans-Tasman retirement savings portability scheme

The Government has agreed (in principle) to establishing a scheme that will permit transfers of superannuation savings between certain Australian and New Zealand superannuation funds. Final details are yet to be settled, along with confirmation of a commencement date.

Increase to the pension access age

From	New age pension age	Affects people born	Age at 1 July 2009
1 July 2017	65 years 6 months	1 July 1952 - 31 Dec 1953	55.5 - 57
1 July 2019	66 years	1 Jan 1954 - 30 Jun 1955	54 - 55.5
1 July 2021	66 years 6 months	1 July 1955 - 31 Dec 1956	52.5 - 54
1 July 2023	67 years	1 Jan 1957 - onwards	52.5 or younger

Increase to the pension access age

As per the above table, there will be an incremental increase in the age at which members can access the Age Pension from 65 to 67. This involves age increases over a 6 year period, commencing in 2017.

Payment of small/insoluble lost accounts from 1 July 2010

From 1 July 2010, superannuation funds will be required to transfer lost accounts that have balances less than \$200, or have been inactive for five years and there are insufficient records to identify the owner of the account, to unclaimed monies. Former account holders will still be able to reclaim their money from the ATO at any time.

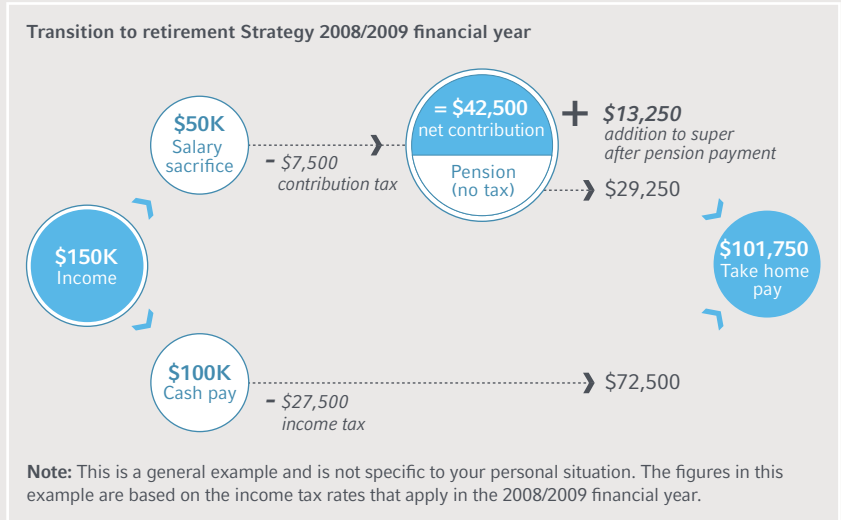
Case study: Using a transition to retirement strategy under the new rules

2008/2009 financial year

Bob is 60, works full time, and earns \$150,000 a year. His employer currently contributes 9% towards his super (i.e. \$13,500) and Bob salary sacrifices \$50,000 to his super.

As a result of salary sacrificing, Bob has less after-tax income, so he withdraws \$29,250 tax-free from his pension account to provide him with the same take-home pay he would have had if he didn't salary sacrifice. He also avoids paying 41.5%* income tax on \$50,000.

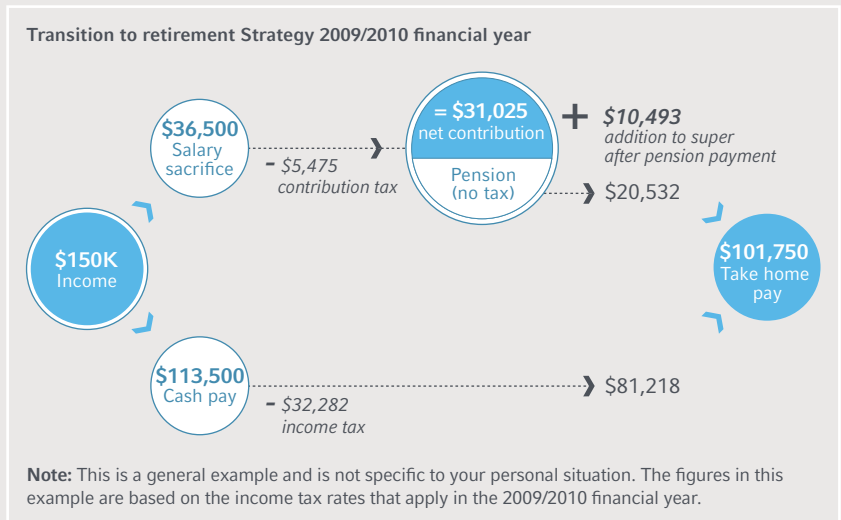
As a result of this strategy, Bob pays 15% tax on his super contributions and, after the pension withdrawal of \$29,250, will have made a net addition of \$13,250 to his super. Please refer to the diagram »



2009/2010 financial year

Bob is 60, so his new concessional (before-tax) contribution limit that comes into effect at 1 July 2009 will be \$50,000 instead of the previous \$100,000 limit. This means that he will have to review his strategy as his total current contribution is \$63,500 (salary sacrifice plus employer contribution) which will exceed the limit and incur a tax penalty.

By reducing the amount he salary sacrifices to \$36,500 and reducing the pension withdrawal to \$20,532, Bob can continue to maintain the same take-home pay and create a net addition of \$10,493 to his super, while remaining within the contribution limit and avoiding the penalty**. Please refer to the diagram »



You can see from this example that transition to retirement strategies retain the same advantages, but may need to be scaled back to account for some members.

* Including Medicare levy
 ** Assumes no additional sources of concessional contributions such as employer contributions towards insurance premiums and fees.