



August 2006 Edition

TALKING POINT!

WELCOME from the Adviser to Your Personal Super Plan.

We hope that you find **TALKING POINT!** informative and welcome your feedback. Please feel free to e-mail any comments, questions or suggestions to us on: info@northbridgeadmin.com.au. In this edition, we cover the following topics:

- The new Superannuation proposals....new rules, new opportunities.
- Boosting your Super... a reminder of the tax incentives.
- Consolidation of your Super balances..... what you should check.

NEW SUPERANNUATION PROPOSALS

The changes announced in the May 2006 Federal Budget are generally positive, confirming the attractiveness of superannuation and retirement pensions from a tax perspective. Many of these changes are not due to take effect until 1 July 2007 and, at this stage, no legislation has been drafted. Therefore, we advise some caution with the proposals as these initiatives may be subject to change through the legislative process. Please note that we have not covered all the proposed changes to superannuation in this newsletter. We have concentrated on summarising the main changes that will affect the majority of people.

Changes that apply immediately:

- The amount of undeducted contributions to super that a person can make each financial year is \$150,000. However, to accommodate larger one-off payments, averaging over a 3 year period will be allowed, meaning a person can bring forward the next 2 years contribution entitlements to make a maximum one-off contribution of \$450,000 every 3 years.
- A person can now leave their account in superannuation indefinitely - whereas previously super had to be accessed either as a lump sum or as a retirement pension at age 65 unless the person met an employment test.

Changes to apply from 1 July 2007

- Reasonable Benefit Limits ("RBL's") will be abolished for both lump sum and pension payments from super.
- Tax deductible superannuation contributions (which includes employer Super Guarantee and salary sacrifice contributions, and contributions by self-employed persons or eligible non-supported persons) will be taxed at the concessional contributions tax rate of 15% up to a limit of \$50,000 p.a. regardless of age. Deductible contributions above this limit will be taxed by the super fund at the top marginal tax rate (but will still be tax deductible to the contributor). Transitional arrangements will apply for people aged 50 at 1 July 2007 or turning age 50 during the transition period - allowing a \$100,000 p.a. concessional taxed limit during the years up to and including 2011/12.
- Lump Sum Payments and Pensions paid from Superannuation for persons aged 60 and over will be tax free. A minimum pension payment would be required at least annually. There will be no maximum payment.



- From September 2007 there will be a much higher cut-out level for the assets test used to calculate Centrelink age pensions, which will lead to increased pension eligibility. However, complying income streams purchased after this date will no longer have any asset test exemption.

BOOSTING YOUR SUPER - a reminder of the tax and access incentives

- Salary sacrificing - even more attractive with the removal of all taxes on super accessed after age 60. Transition to retirement pensions, combined with salary sacrifice, could be attractive for persons over age 55.
- The Co-contribution scheme - provides a Government contribution to the super account of qualifying employed persons who make a personal contribution to their super. The maximum annual co-contribution is \$1,500p.a. where assessable income is less than \$28,000, with a cut-out at \$58,000 assessable income. See the ATO website www.ato.gov/super for further details.
- Spouse tax rebate - applies where a personal contribution is to the super account of a spouse with assessable income less than \$13,800. The maximum rebate is \$540 where a \$3,000 contribution is made and the assessable income of the spouse is less than \$10,800.
- Super splitting - super contributions made after 1 January 2006 can be split with a spouse. Even considering the new super/pension changes, super splitting could be advantageous if the recipient spouse will reach the age where their super can be accessed earlier than the contributing spouse.

CONSOLIDATING YOUR SUPER - what you should check

Many people have multiple superannuation accounts due to mobility within the workforce. Consolidating super accounts can allow better control of super to be maintained, and in some cases mean lower total fees. Some of the things to be checked before rolling-over/consolidating a super account are:

- Are there any excessive exit fees or penalties which will apply?
- Are there insurance benefits (e.g. Death & Total and Permanent Disability, Salary Continuance/Income Protection) which will be lost?- do you have adequate insurance cover in place or already approved in the other fund you are transferring to?
- Have you compared the features and benefits of the respective funds - investment options, long term investment performance, insurance options and cost, administration and investment fees, administration and member communication quality etc.?

FOR FURTHER INFORMATION

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