ANZ Australian Staff Superannuation Scheme

ANZ Staff Super Update

2016 Federal Budget – How it effects your super

Federal Treasurer Scott Morrison announced sweeping changes to Australia's superannuation system in the 2016 Federal Budget, targeting tax concessions that benefit high-income earners and retaining assistance measures for the lowest paid (*please note these changes have not yet been legislated*).

The proposed measures include the introduction of a $1.6 million cap on the amount of super that can be transferred to pension accounts, a $500,000 lifetime cap on after-tax (non-concessional) super contributions and a "catch-up" clause on concessional contributions.

Meanwhile the "big ticket" wealth creation measures are untouched as the tax rate on pre-tax (concessional) super contributions remains a generous 15 per cent for most members and pension drawdowns remain tax free for those aged over 60.

These measures are explained below in more detail:

1 CONCESSIONAL CAP CUT TO $25,000

Annual limits on concessional contributions will be cut to $25,000 for everyone from 1 July 2017. This is reduced from the current cap of $30,000 for most members and $35,000 for those aged 50 or over.

Concessional contributions are made up of all before tax contributions and include the Superannuation Guarantee from your employer, salary sacrifice contributions and any contributions that you claim a tax deduction on.

What does it mean for me?

This change will limit the amount of concessional contributions you can put into super, in any given year. You will need to keep a closer eye on your combined concessional contributions, particularly if you have accounts with more than one super fund.

What could I do about it?

Consolidating your super into a single account will make it easier for you to keep track of your concessional contributions and ensure you don't go over the cap. Also, the new limits don't come into effect until 1 July 2017 so there's still time to take advantage of the existing, more generous limits.

You can speak to an ANZ Staff Super financial adviser on 1800 000 086 before changing your contribution strategy.

2 CARRY-OVER CONTRIBUTIONS - GOOD NEWS FOR SUPER SAVERS

The Government will allow people with super balances under $500,000 to carry over five years' of unused caps from 1 July 2017 if they have not reached their concessional contributions cap in previous years. This means that from 1 July 2017 anyone who doesn't make concessional contributions of $25,000 a year can make catchup payments in following years, provided their super balance is below $500,000.

What does this mean for me?

From 1 July 2017, if you're not in a position to make concessional contributions (which include contributions from your employer) of $25,000 a year to your super, you may be able to take advantage of the carryover rules when your income is higher and the tax deductions are more effective for you.

What could I do about it?

If your super balance is below $500,000, you could consider putting a plan in place to top up your super with unused contributions in later years.

You can speak to an ANZ Staff Super financial adviser on 1800 000 086 about your contribution strategy.

3 $500,000 LIFETIME NON CONCESSIONAL CAP

The Government plans to introduce a $500,000 lifetime cap on your non-concessional contributions to super. This cap will replace the current annual cap of $180,000 per year (or $540,000 every three years if you are aged under 65).

The new cap is effective from the date it was announced (ie, 3 May 2016). The cap will apply retrospectively – backdated to take account of all non-concessional contributions made from 1 July 2007.

What does this mean for me?

If you have already breached the $500,000 limit because of past contributions, no penalty will apply and your past contributions will not be affected.

However this will reduce the amount that you can contribute to your super going forward. Any non-concessional contributions made after 3 May 2016 will be treated as excess and will need to be refunded (with deemed earning taxable) or subject to a non-concessional excess contributions tax.

What could I do about it?

This lifetime approach to non-concessional contributions capping means people need to be more engaged in their wealth strategy earlier, rather than waiting to hit certain milestones closer to retirement.

If you're close to or in the process of planning for your retirement, you might need to revisit your strategy to ensure you're taking full advantage of, but not exceeding, the lifetime cap.

You can speak to an ANZ Staff Super financial adviser on 1800 000 086 to discuss your options.

4 $1.6 MILLION CAP ON SUPER TO PENSION

Retirees will no longer be able to enjoy tax-free earnings on balances higher than $1.6 million. From 1 July 2017, the Government will introduce limits on the amount of superannuation that can be transferred into a pension account, or can remain in an existing pension account, where earnings are tax-free.

What does this mean for me?

The change applies to existing and future retirees and any balance you already hold in a pension on 1 July 2017 will count towards the limit. This means that from 1 July 2017 you will pay tax on the amount transferred to your pension account in excess of $1.6 million as well as tax on any earnings on the excess amount.

What could I do about it?

If you have more than $1.6 million in your pension account you will either have to move some of it to an accumulation account or withdraw it by 1 July 2017 to avoid heavy tax penalties on the excess amounts. Couples could consider distributing money between them to bring their combined cap to a maximum of $3.2 million, taking into account the new lifetime non-concessional contribution cap of $500,000.

You can speak to an ANZ Staff Super financial adviser on 1800 000 086 to discuss your options.

5 MORE SUPER TAX ON HIGH INCOME EARNERS

People with an adjustable income of over $250,000 will pay 30 per cent tax on their concessional contributions from 1 July 2017. A person's 'adjustable income' includes his or her taxable income, concessional contributions and some other adjustments.

At the moment only those with an adjustable income of more than $300,000 pay the higher tax rate of 30 per cent.

What does this mean for me?

From 1 July 2017, the higher tax rate will only kick in if your adjustable income exceeds $250,000. The Government estimates that less than 1 per cent of the population will pay the 30 per cent rate on super contributions.

Even at the higher rate, making contributions to your super still offers a discount when compared to other investments which attract the highest marginal tax rate.

What could I do about it?

There is a short window of opportunity for those earning $250,000-$300,000 a year to top up their super balance at the lower contributions tax rate of 15 per cent, a discount of more than 30 per cent in comparison to their marginal income tax rate.

You can speak to an ANZ Staff Super financial adviser on 1800 000 086 who can help you weigh up your options.

6 SUPPORT FOR LOW-INCOME EARNERS

From 1 July 2017, a new Low Income Superannuation Tax Offset (LISTO) will be introduced to offset tax on concessional superannuation contributions for low income earners. Under the scheme, the offset will enable ANZ Staff Super to refund tax paid on super contributions, up to $500, for members earning up to $37,000 a year.

The proposal will replace the existing Low Income Support Contribution program when it ends on 30 June 2017.

What does this mean for me?

If you earn less than $37,000 a year, the measure is designed to ensure you don't pay more tax on your super contributions than you pay on your income. It is particularly beneficial for women, who make up the majority of low income and part time workers, to help them save more for retirement.

What could I do about it?

You don't need to apply for the tax offset; ANZ Staff Super will automatically pay it to your super account if the ATO advises us that you are eligible. You may also be eligible for Government co-contributions. Check out our website for more information about co-contributions.

7 AN INCREASED INCENTIVE TO HELP OUT YOUR SPOUSE

More partners will be encouraged to make contributions to their low-income spouses' superannuation when the Government raises the income threshold to $37,000 from $10,800 on 1 July 2017.

What does this mean for me?

There is now greater flexibility to support your partner. If your spouse earns less than $37,000 a year you could benefit from receiving a rebate of up to $540 per annum while helping your spouse boost his or her retirement savings.

What could I do about it?

Consider spouse contributions as part of your overall contributions strategy and speak to an ANZ Staff Super financial adviser on 1800 000 086 for advice.

8 TAX DEDUCTIBLE CONTRIBUTIONS MORE WIDELY AVAILABLE

From 1 July 2017, all members up to the age of 75 can now claim a tax deduction for personal contributions up to the concessional cap of $25,000. This was previously mainly available only to the self-employed.

What does this mean for me?

From 1 July 2017, if you make a personal contribution from your take-home pay, you may be able to claim it as a tax deduction.

What could I do about it?

To take advantage of this change from 1 July 2017, you will need to tell ANZ Staff Super that you intend to claim the contribution as a tax deduction.

9 EVERYONE CAN CONTRIBUTE TO SUPER UP TO THE AGE OF 75

From 1 July 2017, the Government will introduce measures to allow people aged 65 to 74 to make greater superannuation contributions. People under the age of 75 will no longer have to satisfy a "work test" and will be able to receive contributions from their spouse.

What does this mean for me?

From 1 July 2017, if you're aged between 65 and 74 you will be able to contribute to your super regardless of your circumstances.

What could I do about it?

From 1 July 2017, if you'd like to make a contribution to your super account, this can generally be done via BPay. View your annual statement for details.

10 TTR PENSION ASSET EARNINGS NO LONGER TAX FREE

On or around 1 July 2017, earnings derived on assets supporting Transition to Retirement (TTR) pensions will no longer be tax free. Instead, the earnings will be taxed at 15 per cent, the same level of tax that is paid on the earnings of other super fund assets.

The Government will also remove a rule that allows individuals to reduce their tax bills by treating some superannuation income stream payments as lump sums.

What does this mean for me?

If you're aged between 55 and 59 the potential benefits of a TTR strategy are limited. For those over the age of 60 there is still merit in exploring the tax savings of a tax free pension income.

If you have an existing TTR account, you should consider reviewing the effectiveness of your existing strategy, especially in light of the reduced contribution caps.

What could I do about it?

Specific, careful planning is required to determine the effectiveness of a TTR strategy and we recommend you speak to a financial adviser.

For more information, or if you need further assistance, please call ANZ Staff Super on **1800 000 086**.

The information above is provided as general information current as at May 2016 **but has not yet been legislated**. It is intended as a guide only and does not take into account your investment objectives, financial situation and needs. Before making any decision in relation to your superannuation or any other financial arrangements, you should consider your own investment objectives, financial situation and needs, and seek the appropriate financial advice.