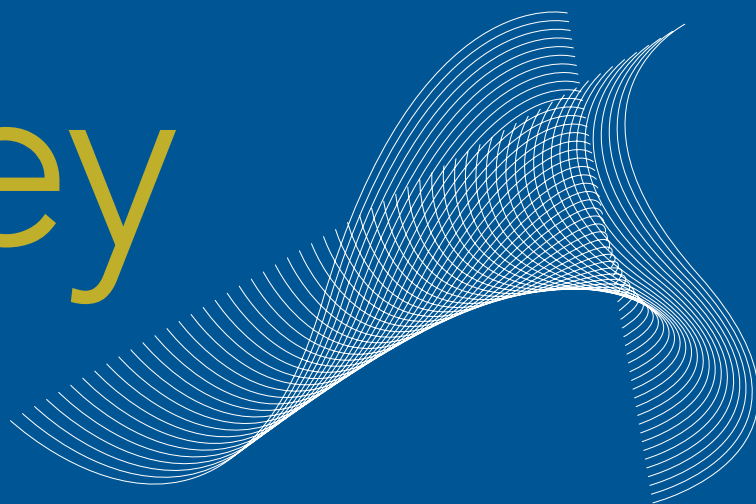


The Key

Budget 2009

Financial Services Partners



In this issue



Key changes to super

Key retirement changes

Changes to household income

What does it mean for me?

Opportunities on the horizon?

In a year where hardly a day has passed without the financial markets making the news, this year's Federal Budget has been a much anticipated event. The Federal Government through the budget released a number of new measures which will have an impact upon income earners and investors once they are implemented. To be implemented, these initiatives (some of which are outlined below), require the successful passage of legislation through Parliament. The final form of these budget initiatives may yet be subject to significant change.

Although the Budget outlined changes in a number of areas including infrastructure, education and health, we'll keep the focus of this newsletter on financial planning issues that may affect you. Of course, your Financial Services Partners adviser is committed to keeping up to date with all of the changes and their services will be able to assist you make the most of any opportunities that arise.

Key super changes

Government co-contribution

There will be a temporary reduction in the superannuation co-contribution matching rate. Eligible individuals currently receive \$1.50 for every \$1 they contribute - a matching rate of 150%. this will be reduced to 100%. The matching rate will return to the current level in 2014-2015 financial year.

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

Contribution caps

Concessional contributions are contributions to super from pre tax income (that is, salary sacrifice and personal deductible contributions). The cap on concessional contributions – that is the amount you can contribute from your pre tax income to superannuation is reduced from \$50,000 to \$25,000 and the transitional contribution cap for those over 50 (which applies until 30 June 2012) is reduced from \$100,000 to \$50,000. These changes will take effect from the 2009-2010 financial year.

Non-concessional contributions are contributions to super from your take home pay (after tax). The annual cap on these contributions is \$150,000pa for the 2008-2009 financial year and will remain at that level in 2009-2010. In the future, the non-concessional cap will be calculated as six times the level of the (indexed) concessional contributions cap.

Key retirement issues

Centrelink Age Pension

The Age Pension rate was increased by \$32.49 per week for single recipients, and by \$10.14 per week combined for couple pensioners on the full rate of pension.

This increase is expected to come into effect from 20 September 2009.

Pension access age

Also impacting retirement will be an increase to the age at which persons can first access the age pension, from 65 to 67 in six month increments over 7 years, commencing in 2017 as outlined below.

From:	The new age pension age will be:
1 July 2017	65 years and 6 months
1 July 2019	66 years
1 July 2021	66 years and 6 months
1 July 2023	67 years



Pension bonus scheme

The pension bonus scheme will be closed to new entrants from 20 September 2009. Existing members of the scheme will continue to accrue entitlements.

Commonwealth Seniors Health Card (CSHC)

While there are some changes to the income testing that affects eligibility for the CSHC, gross tax-free superannuation pension income is not included in the income test when determining eligibility. This is positive news as most self funded retirees will be able to retain their CSHC.

Changes to the pension income test

Combined with an increase in the payment rate, from 20 September 2009 the government will increase the rate at which the pension is reduced, from the current 40 cents to 50 cents for each additional dollar of private income.

Despite this change, the government forecasts that, with the combination of an increase in the pension rate and the creation of a single Pension Supplement, 70% of pensioners will be better off. Special transitional rules are applied to ensure that existing part pensioners will not be worse off.

From 20 September 2009 a new Work Bonus will be introduced that will exclude half of the first \$500 per fortnight of employment income from the income test. Part-rate pensioners who work will thus be able to retain more of their pension entitlements.

Account-based pensions – drawdown relief extended for 12 months

In recognition of the impact of the global downturn on account-based pensions, the 50% reduction in the minimum drawdown amount that applied in the 2008-2009 year has been extended for a further 12 months. That is, the minimum drawdown amounts for account based pensions in 2009-2010 will be 50% of the rate specified in the SIS schedules.

Changes to household income

Tax

In accordance with the tax cuts announced in last year's budget, the new personal income tax thresholds for the 2009-2010 year will be as follows:

Income threshold:	Tax rate:
\$0 - \$6,000	0%
\$6,001 - \$35,000	15%
\$35,001 - \$80,000	30%
\$80,001 - \$180,000	38%
\$180,000 plus	45%

The new personal tax rates differ from the tax rates for 2008-2009 in that the income threshold for the 30% tax rate has been increased from \$34,000 to \$35,000 and the 40% tax rate has been reduced to 38%.

First home buyers grant extended

The First Home Owners Boost (FHOB) has been extended for an extra six months.

For eligible first home buyers entering into contracts between 1 July 2009 and 30 September 2009 (inclusive), the FHOB will continue to provide \$7,000 for the purchase of established homes and \$14,000 for new homes. This does not include the existing \$7,000 First Home Owner's Grant until 30 September 2009.

Between 1 October 2009 and 31 December 2009 the FHOB grant will be halved to \$3,500 for the purchase of an established home and \$7,000 for the purchase of a new home.

Paid parental leave

A government-funded paid Parental Leave Scheme will be introduced from 1 January 2011. Eligible primary carers will receive 18 weeks' paid parental leave at the Federal Minimum Wage, currently \$543.78 per week.

An eligible primary carer must have:

- earned less than \$150,000 in the full financial year prior to the birth or adoption of a child;
- worked at least 330 hours over the 10 months preceding the birth or adoption of a child; and
- also worked continuously with one or more employers for at least 10 of the 13 months before the expected date of birth or adoption.

This payment will be taxable income and thus will potentially affect entitlement to family assistance payments, but will not count as income for income support payments.

Private Health Insurance Rebate

The government has proposed to means test the 30% private health insurance rebate for middle to high income earners according to age, which will potentially increase the cost of private health insurance for those affected. This is going to be achieved through introducing a three tier system with a parallel increase in the Medicare Levy Surcharge rate to penalise taxpayers who do not take out private health insurance. This change will affect both singles and families.

What does it mean for me?

Once the budget legislation is passed and the initiatives outlined take their final form, your adviser will be able to assess your situation and provide you with personal advice to help you make the most of the changes. Until then, your adviser and their support team at Financial Services Partners will work to make sure we identify all potential client opportunities.

As we like to say: We're here to help you grow your wealth faster, manage it better and safeguard it more effectively. In a fast-changing world we're ever-ready to master change and turn it to your advantage; to build you a brighter future.

You can never get enough good advice

Identifying opportunities resulting from legislation changes like the budget requires significant time and effort. At Financial Services Partners we believe that everyone should have the opportunity to realise a brighter future. Setting goals and working towards them can be a positive experience. If you know someone who could benefit, your adviser is more than happy to meet them.

Sources:

1. ASFA Action 2009 – Budget Special.
2. ING Australia Technical Services 2009/10 Federal Budget.
3. Colonial First State First Tech Budget briefing.

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