

Changes to Superannuation Legislation as at 1 July 2009

This document provides an overview of announcements made in the Federal Budget released on 12 May 2009. The changes announced received royal assent on 29 June 2009 and are effective from 1 July 2009.

The points discussed below are the key changes that may affect Bendigo superannuation members.

Concessional contributions cap

The concessional contributions cap is essentially the amount of pre-tax contributions that can be made to super in a financial year at a concessional tax rate of 15% (including superannuation guarantee, salary sacrificed and other tax deductible contributions).

Previous rule:

The concessional contributions cap was previously \$50,000 a year, or if you were over the age of 50 the concessional contributions cap was \$100,000 until 30 June 2012. After 30 June 2012 the cap was to be \$50,000 for members up to the age of 75.

Pre-tax contributions made over these caps incur an additional penalty tax and also count towards the non-concessional cap.

Change effective 1 July 2009:

Concessional contributions caps have been halved. As a result, for those under 50, the concessional cap will be \$25,000 and will be subject to indexation for future years. For those aged 50 to 74, the transitional concessional cap will be \$50,000 up to 2011-2012. From 1 July 2012, the transitional concessional contributions cap will revert to the lower \$25,000 cap (subject to indexation).

What does this mean to you?

You should review your pre-tax contribution arrangements for the year ahead. Pre-tax contributions made on your behalf from any source which exceed these caps will be taxed at an additional 31.5% (totalling 46.5%). This may have an impact on your existing super strategy, particularly Transition to Retirement and spouse contribution splitting strategies.

Co-contributions scheme

Previous rule:

Under the co-contributions scheme the Government match personal after-tax contributions a member makes to the Plan. The matching rate prior to 1 July 2009 was \$1.50 for every dollar up to a maximum of \$1,500 a year. The co-contribution:

- > only applies in full to people whose assessable income and reportable fringe benefits (called "total income") is below \$30,342 (indexed);
- > phases out at a rate of 5 cents for each dollar of total income over \$30,342; and
- > does not apply if your total income is above \$60,342 (indexed).

Change effective 1 July 2009:

The government has announced the intention to temporarily reduce the amount co-contributed from the 2009-10 year until and including the 2013-14 year. Reductions are proposed to occur as per the below levels.

Contribution year	\$ for each dollar of contribution	Maximum co-contribution
2009 – 2010	\$1.00	\$1,000
2010 – 2011	\$1.00	\$1,000
2011 – 2012	\$1.00	\$1,000
2012 – 2013	\$1.25	\$1,250
2013 – 2014	\$1.25	\$1,250
2014 – 2015	\$1.50	\$1,500

In addition eligibility will depend on an individual's:

- > reportable employer superannuation contributions;
- > adjustable fringe benefits; and
- > total net investment losses.

What does this mean to you?

Despite the reduction in the co-contribution amount this initiative remains a good way for lower income earners to increase their savings into superannuation. To qualify your assessable income plus reportable fringe benefits must be less than \$61,920, a maximum co-contribution \$1,000 applies to those with earnings of \$31,920 or less.

Minimum Pension Requirements

Previous rule:

Members in pension phase are required to receive a minimum payment from their superannuation fund at least annually. The minimum payment to persons aged 55 to 64 who have permanently retired was previously 4% of their account balance. This minimum amount increases according to age.

On 16 March 2009 the Government announced that the minimum pension amounts payable for the year ending 30 June 2009 was to be half of the amount previously required. This has been in effect since this date.

Change effective 1 July 2009:

The reduction announced on 16 March 2009 has been extended to the 2009-10 financial year. The minimum pension rates for the 2009-10 financial year are as per the below table.

Age	% of account balance
55 – 64	2.0%
65 – 74	2.5%
75 – 79	3.0%
80 - 84	3.5%
85 – 89	4.5%
90 – 94	5.5%
95 or over	7.0%

What does this mean to you?

If your personal circumstances allow, you may be able to reduce the pension you receive to maintain a higher super balance and participate as the market's recover in due course. Reducing your pension balance may impact on your eligibility for certain Centrelink benefits. You should advise Centrelink of the reduction to your pension, to confirm any Centrelink entitlements within 14 days of making your decision.

What do I need to do?

If any of the above areas are relevant to your situation you should evaluate your strategy to ensure that it is still appropriate. If you were not aware of the above legislation you should consider seeking further information or advice from a financial adviser if you:

- > are currently or are soon to reach pension age and are planning to be paid a pension from the Plan;
- > earn less than \$61,920 and have capacity to make an after tax contribution to the Plan;
- > make or are considering making concessional contributions to the plan; and/or
- > are considering superannuation strategies for the future.

Accessing further information

You can obtain additional information on these changes and how they may impact you via:

- > accessing the Australian Taxation Office website at www.ato.gov.au/super
- > your financial or taxation advisor or
- > contacting your local Bendigo Bank branch to make an appointment with a Bendigo financial planner or contact Bendigo Super Customer Service on 1800 033 426.

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