Taking the mystery out of the jargon

When it comes to super, all too often it can seem to be in another language. But when you understand the language, everything starts to make a lot more sense. To help, we explain some commonly used superannuation jargon.

Concessional contributions

These are super contributions made by your employer, from your pre-tax income (salary sacrifice contribution) or any contribution for which you can claim a tax deduction. They are generally taxed at only 15 per cent instead of your marginal tax rate.

From 1 July 2017, concessional contributions are capped at $25,000.

Industry super fund

Super funds that were originally established to cater for workers from a specific industry although they are now typically open to workers from any industry. They are not for profit organisations.

MySuper

MySuper is a government initiative designed to offer simple super funds at lower costs to members. If you do not choose the investment option(s) your super is invested in, or you have not told your employer where you want your super to go, then your employer contributions will go into your employer's default fund as a MySuper member.

MySuper funds usually have the following features:

- A single diversified investment option or a lifecycle investment option
- A minimum level of insurance cover
- Simple, easily comparable fee structure

Non-concessional contributions

These are super contributions made from your after-tax income. Since you've already paid income tax on these contributions, they are tax-free going into your super.

Like concessional contributions, there are limits on how much you can contribute. From 1 July 2017 this is $100,000 annually (or $300,000 over three years).

Preservation age

Generally speaking, this is the age you have to be before you can access your super benefits; exceptions only apply in rare circumstances. For anyone born since 1 July 1964 this age is 60. For those born before 1964 the preservation age changes as shown in the following table:

Date of birth	Your preservation age
Before 1 July 1960	55
From 1 July 1960 until 30 June 1961	56
From 1 July 1961 until 30 June 1962	57
From 1 July 1962 until 30 June 1963	58
From 1 July 1963 until 30 June 1964	59
On or after 1 July 1964	60

Also, don't forget that to access your benefits from your preservation age, until age 65, you must also be retired.

Preserved benefits

These are your super benefits that, in most circumstances, can't be accessed until you meet a condition of release such as reaching your preservation age and retiring.

Retail super fund

Retail super funds are run by financial institutions, such as banks and often offer a wide variety of investment and insurance options.

Rollover

This is just another way of saying that you are moving your super from one fund to another. This can be to consolidate multiple super funds into one or simply deciding to change super providers.

Salary sacrifice

An amount of pre-tax salary that you decide to contribute to super instead of taking as cash salary. This is in addition to the compulsory super contributions that are made by your employer on your behalf.

Note, from **1 July 2017**:

- you can only sacrifice up to $25,000 – which includes the amount your employer contributes.
- you can claim a tax deduction for non-concessional personal contributions you make.

Super Guarantee

This is the term given to the compulsory super contributions your employer makes into your super fund. Currently the Super Guarantee is 9.5% of an employee's salary.

Your Gold Financial adviser is:

Rosella Mamone
Financial Planner
AFP®Grad Dip App Fin
0468 699 099
rosella@financialservicesforlife.com.au

Gold Financial Pty Ltd AFSL 291389
ABN 50 113 653 946

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Home care – greater choice

Since February 2017, some welcome changes have been made to the home care system — giving greater choice to older Australians.

In the years ahead, the ageing population means the number of people requiring home care is going to increase so it's important that as people age, they have choice about the care they receive.

From February 2017, all home care packages are provided to individuals from a national pool rather than to home care providers under a funding allocation process.

This means that once your funding has been approved, based on your individual needs and situation, you can change providers — without having to reapply for funding. Also, any unused funds remain yours.

This change is expected to create a more competitive, customer-driven home care industry empowering people to shop around for providers that are better able to meet their needs.

The number of people in government subsidised home care in 2014 was over **65,000*** across Australia.

Case study

Megan has been assessed and approved to receive a home care package. Let's see her options before and after the home care reforms.

Before

Under the old system, Megan doesn't have a choice of provider. The provider allocated to her:

- charged 10 per cent administration fee and 25 per cent case management fee. This left only 65 per cent of her funding for actual care costs.
- supplied a package that wasn't to her liking. Megan prefers to go to bed at 10pm but her provider insists on providing services that require her to go to bed at 8pm.
- offered 10 hours care per week when she preferred 14 hours.

Megan's family investigated changing her supplier but, in her area, it would be a 12 month wait.

After

After February 2017, there are more service providers that Megan can consider. One offered to:

- charge a 2.5 per cent administration fee and 10 per cent case management fee. This means that more of her home care package could be used for actual care costs. This would be 87.5 per cent compared with her current provider who allocates only 65 per cent to actual care.
- accommodate her specific needs around the timing of visits each day and the number of carer hours per week.

Megan proceeds to negotiate with a new provider.

If you are considering your eligibility for home care services or wish to review your current home care package, please contact us to discuss your options

* Source: 2014 Department of Heath Facts and Figures in Aged Care

Social Security

Reinstatement of the Pensioner Concession Card

The Government plans to re-issue the Pensioner Concession Card if you lost your entitlement as a result of the asset test changes introduced from 1 January 2017.

New activity requirements from 20 September 2018

The following changes may affect you if you receive income support from the Government:

- Participation requirements for people aged between 30 to 49 will align with those aged under 30. This means the activity requirement will increase from 15 hours to 25 hours per week.
- Recipients aged 55 to 59 will only be able to meet their participation requirements with 50 per cent volunteer activities. Currently 100 per cent of their participation requirements can be met via volunteering.
- Recipients aged between 60 and Age Pension age are required to meet a 5 hours per week activity requirement, but this can be met through volunteering. Currently the activity requirement is 15 hours per week.

Energy Assistance Payment

The Government will make a one-off Energy Assistance Payment in 2016/17 financial year of $75 for singles and $125 per couple for those eligible for qualifying payments on 20 June 2017 and who are residents in Australia.

Qualifying payments include the Age Pension, Disability Support Pension, Parenting Payment Single, the Veterans' Service Pension and the Veterans' Income Support Supplement, Veterans' disability payments, War Widow(er) Pension, and permanent impairment payments under the Military Rehabilitation and Compensation Act 2004 (including dependent partners) and the Safety, Rehabilitation and Compensation Act 1988.

Tougher penalties for deliberate non-compliance by job seekers

The Government plans to introduce a new Jobseeker Compliance Framework, which would include tougher penalties for deliberate failure by Jobseekers to meet their Work for the Dole requirements via a demerit style system.

Housing

First Home Super Saver Scheme

From 1 July 2017, super can be used to assist with saving for a first home. If you're saving for your first home you can make voluntary contributions to super – taking advantage of the tax benefits of super – and then withdraw the money to buy your first home.

You can contribute up to $15,000 per year (from both pre and post income tax money) reaching a total of $30,000 under the scheme. Earnings can be withdrawn along with the contributions when a home is purchased.

On withdrawal, concessional contributions and earnings will be taxed at the individual's marginal tax rate, less a 30 per cent tax rebate. Non-concessional contributions are withdrawn tax-free. First Home Super Saver accounts are created on an individual basis – meaning each member of a couple can have their own account. Importantly, the release of funds to purchase a home will not count as income for certain tests, such as HELP/HECS repayments, family tax benefits or child care benefits.

Capital gains tax changes for foreign investors

Foreign investment in housing will be made more expensive and more difficult by:

- denying access to the CGT main residence exemption
- introducing a charge where the property is not occupied, or available for rent, for at least six months per year
- increasing the CGT withholding rate from 10 per cent to 12.5 per cent, from 1 July 2017
- reducing the CGT withholding threshold from $2 million to $750,000, from 1 July 2017.

Capital gains tax discount changes for affordable housing

From 1 January 2018, the Government will increase the capital gains tax discount, from 50 per cent to 60 per cent, for Australians who invest in qualifying affordable housing. To qualify, housing must be provided to low to moderate income tenants, with rent charged at a discount below the private rental market rate.

The affordable housing must be managed through a registered community housing provider and the investment held for a minimum period of three years.

AFSL 291389 ABN 50 113 653 946

news

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How will the Budget affect you?

The Government played a pretty straight bat with this year's Federal Budget, sticking closely to its pre-Budget announcement themes of infrastructure and housing affordability. On the whole, the proposed changes were expected and mostly welcome in a Budget that Treasurer Scott Morrison described as being about making the "right choices" and being "fair and responsible".

A summary of the key points from the Budget that may affect your financial situation is provided below. Please remember that these are proposals only and are subject to the passing of legislation.

Key points:

- The Pensioner Concession Card will be returned to those people who lost it following the 1 January 2017 changes to the assets test.
- Those over 65 years of age are able to contribute up to $300,000 to super from the sale of the family home.
- Tax deductions for travel expenses relating to rental properties ceases.
- The Temporary Budget Repair Levy will cease from 1 July 2017.
- First Home Super Saver Scheme of up to $30,000 for first home buyers.

Super

Contribute the proceeds of downsizing to super

From 1 July 2018, if you are over age 65 and sell your family home, you may have the opportunity to make a one-off contribution of up to $300,000 to your super. You will not be required to meet the work test and the normal after-tax contribution limit will not apply. To qualify, you must have lived in the home as your main residence for at least ten years. If your home is owned jointly as a couple, each of you will be able to contribute up to $300,000 to your super.

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Taxation

Medicare Levy Rate increases

From 1 July 2019, the Government will increase the Medicare Levy by half a per cent from 2.0 to 2.5 per cent. This is to ensure the National Disability Insurance Scheme is fully funded and to future-guarantee the Medicare system.

Low-income earners will continue to receive relief from the Medicare Levy through the low-income thresholds for singles, families, seniors and pensioners. The current exemptions from the Medicare Levy will also remain in place.

Temporary Budget Repair Levy ceases

If you are a high income earner, the Budget Repair Levy has not been extended and ceases from 1 July 2017.

Disallow the deduction for residential rental property travel expenses

From 1 July 2017, if you have a residential rental property, you will no longer be able to claim tax deductions for travel expenses related to inspecting, maintaining or collecting rent. Additionally, the rules around claiming depreciation will change so that deductions for plant and equipment will only be allowed where an expense has actually been incurred by you.

This change will not prevent you from engaging third parties such as real estate agents for property management services. These expenses will remain deductible.