

2011 Budget - Super Update

As we expected the 2011 Federal budget included only a few changes to superannuation rules. Those that were announced were minor in comparison to the major superannuation reforms seen in previous years. In this update we have included details on the key announcements affecting superannuation benefits and investments. And over the upcoming months we'll be providing you with even more updates as they come to hand so you can stay up to date with your super.

Excess contributions

The Government currently sets limits on the amount of concessional contributions you can contribute each year. Concessional contributions are payments made from your before-tax salary. Once you exceed these limits, any excess contributions you make will be charged at the top marginal tax rate of 46.5% (including medicare levy).

Changes in this year's budget will now mean eligible members will have the opportunity to make a once-only withdrawal of excess contribution amounts made in the 2011/12 financial year and later years of up to \$10,000. This means that members who breach the contribution caps can withdraw the amount and have it assessed as income, rather than incurring the higher tax rate on their money.

Superannuation contribution caps for people aged over 50

The Government has confirmed a temporary measure set in last year's budget, which increases the concessional contributions cap for eligible members aged 50 and over with a total superannuation balance of less than \$500,000 from 1 July 2012.

This means that members in this age group can contribute an extra \$25,000 more to their super than other workers, and sets their contribution cap at \$50,000.

The general (under 50's) concessional contribution cap is set at \$25,000. The above measure will be indexed to increase by the same dollar amount as this lower cap.

Super Co-contribution

Under the current superannuation co-contribution scheme the government matches personal contributions made by members to their super, dollar for dollar, up to a maximum amount of \$1,000 for people with incomes up to \$31,920.

This amount is reduced and phased out once a member's income level exceeds \$61,920. The Government has announced that there will be no change to these income thresholds for the 2011/12 financial year.

Tax file numbers (TFN)

From 1 July 2011, Super Funds will be able to use members' TFNs to assist in identifying duplicate accounts within the fund. From 1 January 2012 this will be extended to assist in the consolidation of duplicate super accounts into one account within the fund. This may be extended to include consolidation across super funds in late 2012, however this is yet to be confirmed.

This means getting your super together will be easier and you could save in fees by having just one account.

Super reporting

From 1 July 2012, your employer will be required to include any amount of superannuation paid to your super fund on your payslip. This will provide you with a greater awareness of the amount of super being paid on your behalf, and will show whether your super payments are not being made.

Superannuation Funds will also have an increased responsibility to monitor payments and will be required to advise both employers and members on a quarterly basis if regular payments cease.

Minimum pension payments

As a result of the Global Financial Crisis, the Government introduced a reduction in the minimum amount Pension members must withdraw from their pension accounts in an attempt to ease any financial stress on members and minimise any realised losses.

This reduction will be extended this year, however at a reduced rate of 25% for the 2011/12 financial year, to assist pension members in preserving their capital. The minimum amounts will return to the 'Normal' rate in the 2012/13 financial year.

This table sets out the existing and normal and adjusted minimum payment percentages for pension members.

Age Band	Normal Rate	Adjusted 2011/12 rate
Under 65	4%	3%
64-74	5%	3.75%
75-79	6%	4.5%
80-84	7%	5.25%
84-89	9%	6.75%
90-94	11%	8.25%
95 or more	14%	10.5%