

QUPDATE

MAY 2009

Budget, Budget, Budget

After all of the speculation about budget changes, the final announcements will certainly affect the financial planning strategies of individuals and families. Let's look at some of the major impacts.

Pre-tax contributions caps - reduced ability to salary sacrifice into super may mean people will need to start earlier and contribute over a longer period of time to build retirement savings. Those already targeting higher levels of salary sacrifice or near the new limits will need to take prompt action to review their arrangements for the new financial year. **Remember the cap includes your salary sacrifice + employer contributions.** These calculations can be complex, phone Q Invest to organise a review.

Increase in the age pension age - will start to affect those who will be 57 or younger at 1 July 2009. Again, there will need to be careful planning around retirement age and savings to ensure adequate funds in retirement.

Transition pensions remain - the ability to start a pension from superannuation while still working will remain, and this could be a significant benefit from both a lifestyle and tax savings perspective. Those over 60 are still in the most tax advantaged position.

Private health cover - new rules with regard to private health cover rebates and Medicare levy surcharge will come into effect from July 2010.

Family tax benefits - effective 1 July 2009, salary sacrifice contributions to superannuation will count as income for the purpose of calculating eligibility for Family Tax Benefit.

Tax cuts remain - the tax cuts that were discussed in the last budget have been legislated and will provide a benefit for those currently earning more than \$34,000.

In summary, there have been a number of changes which mean there are new benefits and potential pitfalls to be aware of. You should still consider if you are on track for a better financial future using all the options available to you.

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End of financial year reminder

As the end of the financial year approaches, there may be a number of actions that need to be undertaken before the end of June. Let's list a few:

Superannuation co-contribution – if you are eligible, you may get a \$1.50 for every \$1.00 you put in after tax up to a limit.

Salary sacrifice – time is running out, but adjustments can still be made that may be beneficial for this year.

Spouse contributions to super – could be tax advantaged for some where a spouse meets a definition of low income.

Tax deductions - including the pre-payment of investment interest may still be made.

Web upgrade

The new Q Invest website is here and it is now packed with up to date information and calculators. Make www.qinvest.com.au a favourite.

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