

# FIDUCIAN FOCUS

Winter  
2016



## GET SET FOR BIG CHANGES

### FEDERAL BUDGET 2016-17

On Tuesday, 3 May 2016 at 7.30pm, Treasurer Scott Morrison handed down his first Budget. This budget is the first budget of the Turnbull Government, and is the platform for the Coalition policy in the lead-up to the next Federal election on 2 July.

There are a number of important changes, particularly to superannuation that, if legislated, may affect you and your family:

- amount that can be transferred into a tax-free retirement income stream is capped at \$1.6 million cap
- concessional contributions cap is lowered
- taxation of transition to retirement income streams changes
- non-concessional contributions caps now exist for a lifetime
- contributions made after age 65 are more flexible

#### PERSONAL TAX

##### Personal income tax threshold increases

Effective 1 July 2016, the 32.5% personal income tax threshold will rise from \$80,000 to \$87,000. This will result in a tax saving of around \$315 a year.

##### Medicare levy low-income threshold rises

The Government will increase the Medicare levy low-income thresholds for singles, families and seniors and pensioners from the 2015-16 income year. The increases take account of movements in the Consumer Price Index so that low-income taxpayers generally continue to be exempted from paying the Medicare levy.

##### Medicare levy surcharge and private health insurance rebate thresholds

Indexation of the applicable income thresholds will pause for three more years.

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# GET SET FOR BIG CHANGES

## FEDERAL BUDGET 2016-17 – CONTINUED

### SUPERANNUATION

#### Lifetime non-concessional contribution cap of \$500,000

The lifetime cap will take into account all non-concessional contributions made on or after 1 July 2007 and will be indexed by \$50,000 increments in line with the average weekly ordinary-time earnings.

Contributions made before Budget night cannot result in an excess of the lifetime cap. But, contributions made after Budget night, including post-1 July 2007 non-concessional contributions, cannot exceed the lifetime cap and will need to be removed or subject to penalty tax.

This cap reduces the amount that can be contributed into superannuation and requires ongoing management by your financial planner.

#### Concessional contributions cap reduced to \$25,000

The annual cap on concessional super contributions will decrease to \$25,000 for everyone from 1 July 2017. This restricts the amount that members can contribute to superannuation and the tax deduction received.

#### Removal of work test

Effective 1 July 2017, people aged between 65 and 75 will no longer have to satisfy a work test to make superannuation contributions or receive contributions from their spouse. This simplifies the rules enabling members to contribute to superannuation up to age 75, whether or not they're working.

#### Anti-detriment provision removed

Beneficiaries of a member's estate will not be eligible for a refund of the super contributions tax payments made from 1 July 2017. This will reduce the superannuation death benefit that beneficiaries can receive.

#### Carry forward of unused concessional caps – 'Catch-up cap' for super balances < \$500,000

From 1 July 2017, members with a super balance less than \$500,000, who don't fully use their concessional contributions cap, can from 1 July 2017 carry forward the unused balance on a rolling basis for five consecutive years.

#### Tax matters for superannuation contributions

From 1 July 2017 all individuals up to age 75, regardless of their employment, can claim a tax deduction for personal superannuation contributions.

#### Contributions tax – Div 293 tax income threshold reduced to \$250K

The high-income earners Division 293 threshold will decrease from \$300,000 to \$250,000 from 1 July 2017. Members earning more than \$250,000 will pay an additional 15% superannuation contributions tax.

#### \$1.6 million transfer balance cap for pensions

The amount members can have in a superannuation pension will be capped at \$1.6 million from 1 July 2017. Pension balances above \$1.6 million will have to reduce by 1 July 2017. Excess balances must be either withdrawn or converted back to an accumulation account where earnings are taxed at 15%.

#### Transition-to-retirement (TTR) income streams – removal of tax free earnings

The tax exemption on earnings within a TTR pension account will be removed for recipients who have not yet retired from 1 July 2017. The tax on earnings within the TTR Pension will increase from nil to 15%, resulting in a TTR strategy not being as tax-effective for members who are not retired.

#### Low-income superannuation tax offset (LISTO)

LISTO will replace the existing low-income super contribution (LISC) from 1 July 2017.

LISTO will reduce tax on superannuation contributions for low-income earners and members with adjusted taxable income up to \$37,000 will receive an offset up to \$500 for concessional contributions.

#### Spouse superannuation offset

From 1 July 2017, the income threshold for the low-income spouse will rise from \$10,800 to \$37,000. This increases the eligibility to make a spouse contribution and receive a tax offset up to \$540.

Please note that all the changes announced in the Federal Budget 2016 are proposals only and may or may not be implemented. For details about a particular Budget measure or to find out how you and your family may be affected if these measure and implemented, please contact your Fiducian financial planner.



# ADVICE HELPS RETIREMENT-NEEDS AWARENESS



**Few unadvised workers realise how much they will need to save for retirement, despite increasing numbers of people being aware of the need, the de Vere Group reports.**

The international advisory firm says its data shows that almost 80 per cent of new clients underestimate how much they will need for retirement.

Chief executive Nigel Green says the survey of more than 600 new and potential clients, shows a 'black hole in the detail' of what people will need to support their retirement.

'They know that the Government won't be able to support them as it has done for generations before due to an ageing population and shrinking workforce; that living, health and care costs will increase significantly... meaning that accumulated funds need to go further,' he says.

'However, what is alarming is that the vast majority do not know just how much they will need to save.'

'Our recent research highlights that there's one very definite common theme: before they sit down with an adviser, the overwhelming majority of people underestimate how much they need to be putting aside for their retirement.'

'When our consultants start to work with new clients to tailor-make a financial plan, the clients are typically shocked when it is set out for them how much they need to be saving to fulfil their own retirement ambitions.'

'They have usually considerably underestimated the funds they will need.'

Green says people need to 'take their heads out of the sand and get informed', saying it is 'better to know and start to get on track sooner rather than later'.

The ASFA Retirement Standard benchmarks the annual budget that Australians need to fund either a comfortable or modest standard of living in the post-work years. It is updated quarterly to reflect inflation, and provides detailed budgets of what singles and couples would need to spend to support their chosen lifestyle. Both budgets assume that the retirees own their own home outright and are relatively healthy.

*"The overwhelming majority of people underestimate how much they need to be putting aside for their retirement"*

## **Budgets for various households and living standards for those aged around 65\***

(December quarter 2015, national)

	Modest lifestyle		Comfortable lifestyle	
	Single	Couple	Single	Couple
<b>Total per year</b>	\$23,797	\$34,226	\$43,184	\$59,236

## **Budgets for various households and living standards for those aged around 85\***

(December quarter 2015, national)

	Modest lifestyle		Comfortable lifestyle	
	Single	Couple	Single	Couple
<b>Total per year</b>	\$23,176	\$34,388	\$38,675	\$54,215

\* <http://www.superannuation.asn.au/resources/retirement-standard>

# FIDUCIAN IN THE COMMUNITY

## FIDUCIAN GOLF DAY RAISES \$70,000+ FOR VISION BEYOND AUS

Fiducian Group's charity golf day raised more than \$70,000 for urgent eye operations to be provided by Vision Beyond AUS in various Asian countries.

Held on Thursday 21 April 2016 at Killara Golf Club, the annual event drew almost 100 players from the financial services industry.

The charity, founded by Fiducian managing director Indy Singh in 2011, has now funded more than 17,000 operations in India, Cambodia, Nepal and Myanmar.

Indy Singh says: 'All donations pay for eye operations – no donations are used for administration, publicity or travelling.'

Winners included:

1. Winning team: Jordan Tang, Andrew Davies, Stuart Jones, David Lewis
2. Longest drive: Maxine Khouri & Ross Allen
3. Nearest to the pin: Margaret Rich & Frank Khouri
4. Bradman Prize: Margaret Rich, Glen Workman, Linda McKenna & Colin McKenna

At the auction which followed the golf day, items included:

- Urban country music shirt – bought by John Given
- Indigenous painting – Darren Ross
- The Indy Singh Annual Art Prize – Peter Townsend

For information on Vision Beyond AUS, go to [visionbeyondaus.org.au](http://visionbeyondaus.org.au)



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Financial Services  
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**Fiducian Financial Services Pty Ltd**

ABN 46 094 765 134

AFS and Australian Credit Licence No. 231103

Level 4, 1 York Street, Sydney NSW 2000

**Correspondence**

GPO Box 4175  
Sydney NSW 2001

Telephone: 02 8298 4600

Client Services: 1800 653 263

Fax: 02 8298 4611

Email: [info@fiducian.com.au](mailto:info@fiducian.com.au)

[www.fiducianfs.com.au](http://www.fiducianfs.com.au)

Your local Fiducian Financial Services Representative is:

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