



STATE SUPER
SAS Trustee Corporation

Federal Budget 2015

What it means for your super and retirement



The Abbott Government handed down its second Federal Budget on Tuesday 12 May 2015.

Superannuation has been left largely untouched. The Budget did not contain any changes to the taxation of superannuation benefits, contribution caps or age requirements for access to the Age Pension or your superannuation.

The most significant announcements concerned the Age Pension, with proposed key changes coming into effect on 1 January 2017.

The main announcement affecting State Super members is the change in the amount of income from your defined benefit pension that will be included when applying the social security income test.

Social security income test – A larger portion of defined benefit income to be included

A larger proportion of defined benefit income is to be taken into account when applying the relevant social security income test. Under this measure, the proportion of income that can be excluded from any income test (the deductible amount) will be capped at 10% from 1 January 2016.

Recipients of Veteran Affairs pensions or Defined Benefit income streams paid by military super funds are exempt from this measure.

Social security assets test – Asset free areas for pensioners and pension taper rates will increase

The Government will increase the assets test thresholds and taper rate for pensions from 1 January 2017.

The asset free area for pensioners (the value of assets a person can have in addition to their family home in order to qualify for a full pension) will increase from \$202,000 to \$250,000 for single home owners and from \$286,500 to \$375,000 for couple home owners, allowing around 170,000 pensioners with moderate assets to receive a full or increased pension. An increase to the asset free area for pensioners who do not own their own home to \$200,000 more than home owners will be applied.

Maximum asset levels above the family home that a person can hold and still qualify for a part pension will reduce. The new maximum thresholds will be \$823,000 for a homeowner couple and \$547,000 for a single homeowner. Due to these changes, those who no longer receive a pension will remain eligible for a Commonwealth seniors health card or Health Care Card.

The asset taper rate will also increase from around \$1.50 to \$3. This means for every \$1,000 of assets over the asset free threshold, the pension rate will reduce by \$3 a fortnight.

Age Pension indexation – Proposed changes will not proceed

The Government has confirmed proposed changes to the pension income test free areas and deeming thresholds will not proceed. Indexation will continue to be applied twice yearly at the greatest indexation rate (i.e. the higher of increases in the Consumer Price Index or the Pensioner and Beneficiaries Living Cost Index, and benchmarked to Male Total Average Weekly Earnings).



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Receipt of Commonwealth Government pensions while absent from Australia – Period reduced to 6 weeks

The period some recipients of the age pension, wife pension, widow B pension and disability support pension may be paid their full basic means tested rate while absent from Australia will reduce from 26 weeks to 6 weeks.

Release of super for terminal medical condition – Criteria will be eased to provide earlier access

Currently, a terminally ill person must have 2 medical practitioners, including a specialist, certify that the person is likely to die within 1 year in order to gain unrestricted access to their super. In order to give terminally ill people earlier access to their super the Government will increase this period from 1 year to 2 years.

In home aged care – Funding to improve choices

In a relatively small step towards aged care reform, the Government has proposed allocating funding of \$8.1 million in 2015–16 to improve existing consumer choice for in home aged care.

Lost and unclaimed super – Cutting red tape

A package of measures will be implemented that will make it easier for individuals to be reunited with their lost and unclaimed super. Effective from 1 July 2016.

More information

The full 2015–16 Budget is available on the Government's Budget website at www.budget.gov.au

We recommend seeking professional financial advice about your options and what impact these measures may have on your retirement.

Need advice?

State Super Financial Services provides a wide range of financial planning advice to current and former public sector employees and their families.

To book an obligation free appointment, call **1800 620 305** or visit www.ssfs.com.au.

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