

TODAY'S TOPIC

Federal Budget Update 2021

Thank you for joining us.
We will commence shortly



Meet the speakers



Mia Yan

Member education
consultant

TelstraSuper Pty Ltd, AFSL
236709



Anthea Kos

Member education
consultant

TelstraSuper Pty Ltd, AFSL
236709

IMPORTANT NOTICE

This presentation contains factual information and general advice only. It has been prepared without taking into account your objectives, financial situation and needs. You should consider whether it is appropriate having regard to your personal circumstances before making any financial decisions.

If you are considering acquiring a financial product you should obtain the relevant product disclosure statement before making any decision.

The taxation information in the presentation is factual information only. If you require taxation advice you should consult your accountant or tax adviser.



**PROPOSED
MEASURES**



**PREVIOUS MEASURES
FROM 2020/21 BUDGET**



**KEY MEASURES
EFFECTIVE 1 JULY 2021**



**HOW TELSTRASUPER
CAN ASSIST**



QUESTIONS



PROPOSED MEASURES



Superannuation

It's important to understand that these measures are currently just proposals.
Legislation would need to be passed for any of these changes to take effect.



Save more in the First Home Super Savers Scheme (FHSS Scheme)

The **First Home Super Saver Scheme** was first announced in the 2017/18 Federal Budget. It allows first home buyers to use a portion of their voluntary super contributions towards a house deposit. Until now, eligible participants have been able to withdraw up to \$30,000 of their extra voluntary contributions from their super towards the deposit, but the Government proposes to lift this to \$50,000.

Voluntary contributions made from 1 July 2017 up to the existing limit of \$15,000 per year will count towards the total amount able to be released.

Expected start date 1 July 2022



More people eligible for super with removal of \$450 threshold

Under current super rules, employers don't need to make superannuation guarantee contributions for employees who they pay less than \$450 per month. Proposed Federal Budget changes would see this threshold being removed and these employees becoming eligible for employer paid super.

The Retirement Income Review estimated that with this threshold removed, around 300,000 individuals would receive additional superannuation guarantee payments each month, 63 per cent of whom are women

Effective start date 1 July 2022

Superannuation

It's important to understand that these measures are currently just proposals.
Legislation would need to be passed for any of these changes to take effect.



Eligibility age lowered for downsizer scheme

The **downsizer scheme** allows eligible people aged 65 and over who sell their primary home to contribute to their super of up to \$300,000 per person. Couples can contribute \$300,000 each. These contributions do not count towards post-tax contribution caps.

Under the proposed changes, the eligibility age will be lowered to age 60. Other rules governing the scheme will remain unchanged.

Expected start date 1 July 2022



Removal of “work test” for people between 67 and 74

Currently, people aged between 67 and 74 must meet a “work test”^{*} before being able to make voluntary contributions to super or receive contributions from their spouse.

This proposal would allow individuals aged 67 to 74 years (inclusive) to make or receive post-tax contributions (including under the bring-forward rule) and salary sacrifice super contributions without meeting the work test, subject to existing contribution caps. Members would however still have to meet the work test to make personal deductible contributions.

Expected start date 1 July 2022.

^{*}The work test requires a person to be gainfully employed for at least 40 hours over a consecutive 30 day period during the financial year.

Source: <https://www.telstrasuper.com.au/information-hub/news-and-articles/Federal-budget-2021>

Superannuation

It's important to understand that these measures are currently just proposals. Legislation would need to be passed for any of these changes to take effect.



Transfer of super to the Kiwi Super Scheme

It is proposed that the government will provide \$11.0 million over four years from 2021-22 (and \$1.0 million per year ongoing) to the Australian Taxation Office to administer the transfer of unclaimed superannuation money directly to KiwiSaver accounts (the New Zealand equivalent of Australian superannuation funds).

Expected start date 1 July 2022



Legacy product conversions

It is proposed that the government will allow individuals to exit a specified range of legacy retirement products, together with any associated reserves, for a two-year period. The measure will include market-linked, life-expectancy and lifetime products, but not flexi-pension products or a lifetime product in a large APRA-regulated or public sector defined benefit scheme. Importantly, it will not be compulsory for individuals to take part. This measure will permit full access to all of these products' underlying capital, including any reserves, and allow individuals to potentially shift to more contemporary retirement products or take a lump sum benefit.

Expected start date is the first financial year after the enabling legislation receives Royal Assent.

Social security

The Pension Loans Scheme (PLS) is a reverse mortgage type loan offered by the Federal Government that allows borrowers of age pension age to receive a tax-free income stream by taking out a loan against the equity in their home. The flexibility of the Pension Loans Scheme is being improved by providing access to advance payments and introducing a No Negative Equity Guarantee.



Changes to Pension Loans Scheme

Expected start date 1 July 2022

No Negative Equity Guarantee will mean that borrowers under the PLS, or their estate, will not have to repay more than the market value of their property, in the rare circumstances where their accrued PLS debt exceeds their property value.

The proposed increased flexibility will allow participants to access up to two lump sum advances in any 12 month period, up to a total value of 50 per cent of the maximum annual rate of the Age Pension.

Retaining the low and middle income tax offset



It is proposed that the low and middle income tax offset (LMITO) will remain for the 2021-22 financial year, providing additional tax relief for low and middle income taxpayers.

LMITO provides a maximum reduction in tax of up to \$1,080

The LMITO thresholds are as follows:

Offset	Income threshold	Benefit amount
LMITO	\$37,000 or less	\$255
	\$37,001 to \$47,999	Offset will increase at a rate of 7.5% per dollar to the maximum benefit of \$1,080 pa
	\$48,000 to \$90,000	Benefit of \$1,080 pa
	\$90,001 to \$126,000	Offset will phase out at a rate of 3 cents per dollar

Source: www.ato.gov.au/General/New-legislation/In-detail/Direct-taxes/Income-tax-for-individuals/JobMaker-Plan---bringing-forward-the-Personal-Income-Tax-Plan/
www.ato.gov.au/Individuals/Income-and-deductions/Offsets-and-rebates/Low-and-middle-income-earner-tax-offsets/

Current as at 19 May 2021. This work is copyright and no part may be reproduced by any process without prior written permission from TelstraSuper.

Medicare levy low-income thresholds

The Government has announced they will increase the Medicare levy low-income thresholds for singles, families, seniors, and pensioners from the 2020-21 financial year.

Effective date 1 July 2020

The proposed increases are as follows:

	Current	Proposed
Singles	\$22,801	\$23,266
Family	\$38,474	\$39,167
Single seniors and pensioners	\$36,056	\$36,705
Family seniors and pensioners	\$50,191	\$51,094
For each dependent child or student, the family threshold increases by	\$3,533	\$3,597

Supporting women



- The Childcare Subsidy percentage for families with multiple children aged 5 and under in childcare has been announced to commence from 11 July 2022. This measure, if passed, will see an increase in the Childcare Subsidy percentage by 30% for the second and subsequent child/ren, but this will be capped at 95% for these children.
- Encourage gender equity
- Workforce participation



Government initiatives to reduce instances and support the victims of Family, Domestic and Sexual Violence (FDSV) against women and children.

It's important to understand that these measures are currently just proposals legislation would need to be passed for any of these changes to take effect.

Source: www.bt.com.au/content/dam/public/btfg-bt/documents/professional/knowledge-centre/market-insights/federal-budget-2021/federal-budget-2021-22-budget-summary-for-advisers.pdf

Current as at 19 May 2021. This work is copyright and no part may be reproduced by any process without prior written permission from TelstraSuper.



PREVIOUS MEASURES FROM THE 2020/21 BUDGET

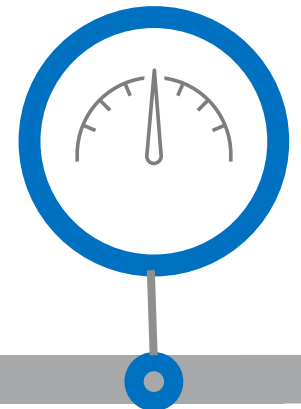


Superannuation

With the 2020/21 Federal Budget delivered later in the year due to the global pandemic, there are several budget measures related to super that are yet to be legislated. These include:

New tool to compare super funds

For those entering the workforce for the first time or wanting to review their superannuation, a new online “YourSuper” comparison tool will be built that allows members to compare and select a superannuation product that meets their needs. The YourSuper tool will provide a table of MySuper products ranked by fees and investment returns. It will also show your current super accounts.



Changes to the way default superannuation works

Proposed changes to the default super system could mean that once you open a superannuation account, it will follow you to a new job unless you choose otherwise.

This means that your employer will pay your super to your existing super fund if you have one, unless you select another fund. The change is aimed at stopping the creation of unintended multiple super accounts.



Superannuation

Superannuation performance test introduced

Super funds could have to meet an annual performance test conducted by the Australian Prudential Regulation Authority. Funds that fail the test will have to notify members of their underperformance. If a fund underperforms over two consecutive years, it won't be able to accept new members until its performance improves. The funding for this initiative will be paid for through increased levies on regulated financial institutions.



Strengthened obligations for super trustees



The government is raising the standard of super funds by strengthening obligations on super fund trustees to ensure their actions are in the best financial interests of members.

This includes providing members with key information about how they manage and spend members' money in advance of the Annual Members' Meeting



**KEY MEASURES
EFFECTIVE
1 JULY 2021**



Superannuation



From 1 July 2021*:

Concessional (pre-tax) contribution cap will increase to **\$27,500** per financial year

1

Non-concessional (post-tax) contribution cap will increase to **\$110,000** per financial year

2

Three years' worth of the non-concessional (post-tax) annual cap under the bring-forward rules (eligible members only) will increase to **\$330,000**

3

Total super balance cap will increase from \$1.6 million to **\$1.7 million**

4

The general transfer balance cap will increase from \$1.6 to \$1.7 million. Every individual will have their own personal transfer balance cap of between \$1.6 and **\$1.7 million** depending on their circumstances

5

The maximum government superannuation co-contribution entitlement remains at \$500, however the lower-income threshold increases to \$41,112 and the higher-income threshold increases to **\$56,112**

6

*For summary purposes only. The rules are complex and different caps may apply, depending on your personal circumstances. Eligibility criteria also apply. For full details, please visit the ATO website www.ato.gov.au.

Summary of contribution caps



Pre-tax

(concessional contributions)

Employer contributions, salary sacrifice, personal deductible contributions, insurance premiums paid by your employer

15% tax rate

Annual contribution cap **\$25,000[†]**

Rolling 5-year catch up

If your total super balance is less than \$500,000 as at end of the previous financial year, any unused concessional contributions cap amounts can be carried forward for up to five years before they expire.



Post-tax

(non-concessional contributions)

Contribution made from after-tax income[‡] and spouse contributions

0% tax on the way in

Annual contribution cap **\$100,000^{†*^}**

Bring forward rule^{^#}

If your total super balance is less than \$1.6 million individuals aged under 65 may be able to make up to three years' worth of post-tax contributions (up to \$300,000) to their super in a single year.

[†] The concessional and non-concessional contributions cap will be indexed from 1 July 2021

^{*} For the 2020-21 financial year, you must meet the work test if aged 67 to 74 or satisfy the work test exemption criteria. To satisfy the work test you must complete at least 40 hours of paid work in a period of not more than 30 consecutive days in the financial year in which you plan to make non-concessional contributions. The work test exemption means you can also make personal contributions during the first financial year you don't meet the work test if your total superannuation balance at the end of the previous financial year is less than \$300,000.

[^] Subject to \$1.6 million total superannuation balance cap. Individuals with a total superannuation balance of \$1.4 million or more are not able to utilise the full bring forward rule.

[#] Must be under 65 at the start of the financial year and meet other eligibility criteria.

Source: www.ato.gov.au/Rates/Key-superannuation-rates-and-thresholds/?page=3 | www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Super-contributions---too-much-can-mean-extra-tax/?page=3

Current as at 19 May 2021. This work is copyright and no part may be reproduced by any process without prior written permission from TelstraSuper.

Summary of contribution caps



↑ Total super balance

Includes all of your superannuation funds and retirement income streams

\$1.6 million[^]

No further post-tax (non-concessional) contributions

If the total superannuation balance across all your superannuation and retirement income streams (not just your TelstraSuper account) is equal to or greater than \$1.6 million at the end of the previous financial year.

Transfer balance cap ↑

Maximum amount that can be transferred from superannuation accumulation accounts into the tax-free retirement phase

\$1.6 million[^]

Example

John retires at age 62 with a total super balance of \$2 million. He is able to commence a retirement income stream with up to \$1.6 million. John can leave the remaining \$400,000 in his superannuation accumulation account and access this money when needed tax-free as he has retired and reached his superannuation preservation age.

TelstraSuper Financial Planning has a team of phone-based Advisers who can provide you with simple advice in relation to your contributions. There's no additional cost for our phone-based advice as this is included in your TelstraSuper membership. You can contact us on 1300 033 166 or request an appointment with our online contact form. Telstra Super Financial Planning Pty Ltd (TSFP) AFSL 218705 is wholly owned by Telstra Super Pty Ltd (TSPL).

[^] The total super balance and transfer balance cap will be indexed from 1 July 2021

Source: www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Super-contributions---too-much-can-mean-extra-tax/?page=5 | www.ato.gov.au/individuals/super/withdrawing-and-using-your-super/transfer-balance-cap/



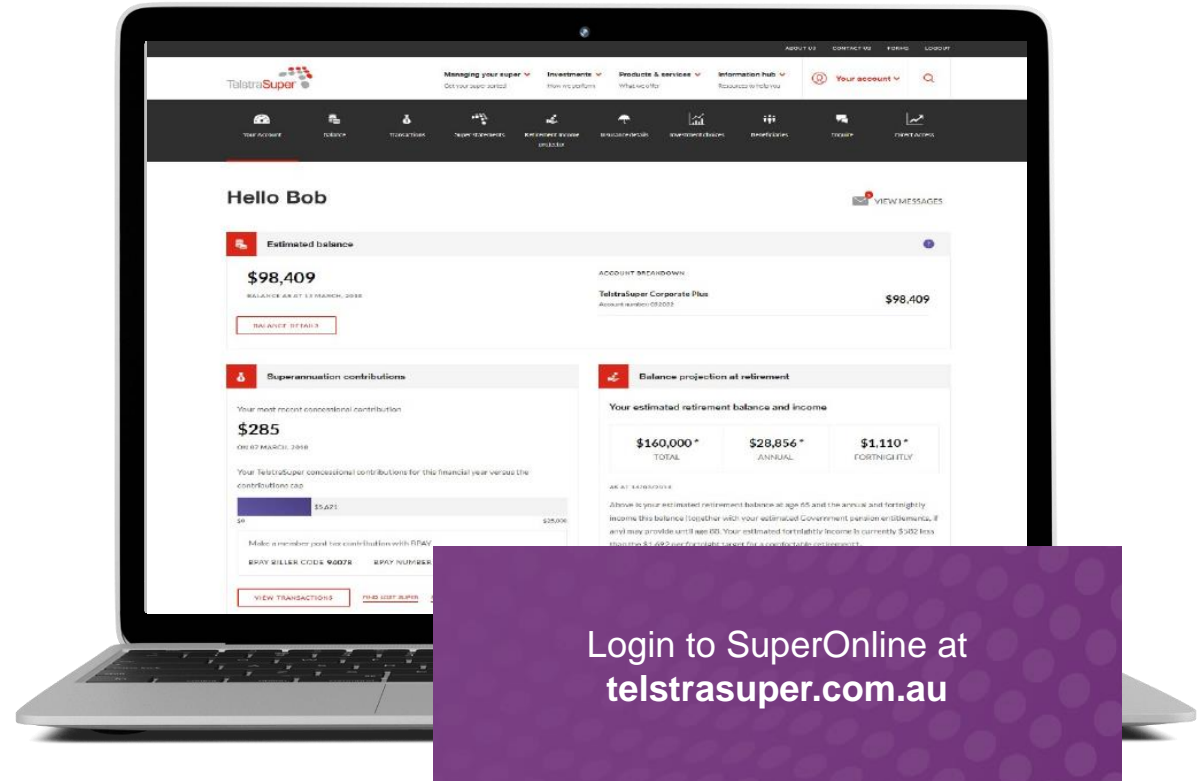
HOW TELSTRASUPER CAN ASSIST



SuperOnline



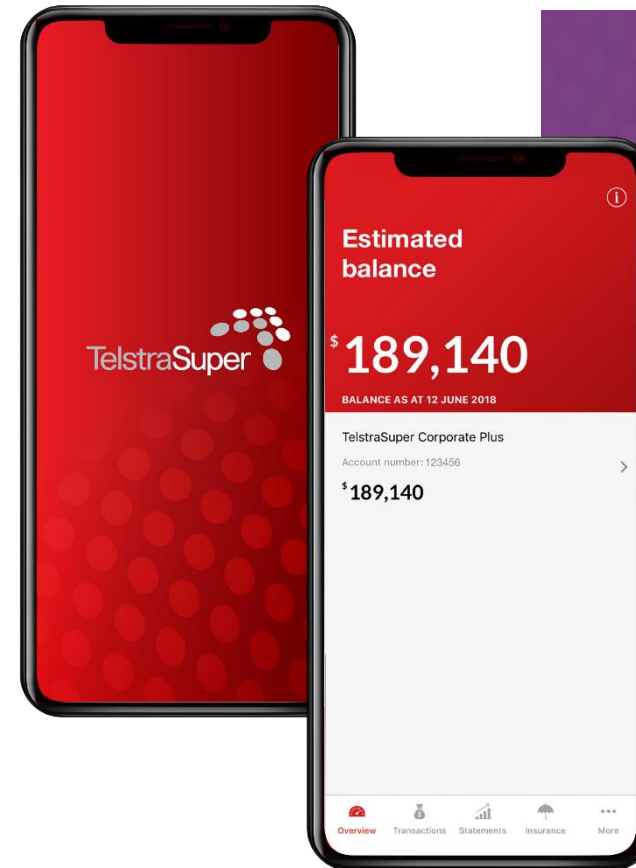
- ✓ Update your email address and personal details
- ✓ Check your account balance
- ✓ Review your insurance cover
- ✓ View your nominated beneficiaries
- ✓ Make a non-binding nomination
- ✓ Review your investment options
- ✓ Pre-tax contributions against the concessional contributions cap
- ✓ Benefit statements
- ✓ Latest contributions



TelstraSuper app



- ✓ Estimated account balance
- ✓ Investment options, allocation of units and investment returns
- ✓ Latest contributions
- ✓ Pre-tax contributions against the concessional contributions cap
- ✓ Benefit statements
- ✓ Insurance cover
- ✓ Transactions
- ✓ Digital Member Card
- ✓ Contact TelstraSuper



Available on
Android
and **Apple**
iOS.

HOW TELSTRASUPER CAN ASSIST

Retirement projector



HOW TELSTRASUPER CAN ASSIST

Financial advice

General and simple advice

- ✓ General and simple personal advice over the phone about your TelstraSuper account including contributions, investment options and insurance cover through TelstraSuper
- ✓ Provided at no additional cost as part of your membership

Comprehensive financial advice

- ✓ Comprehensive personal advice available on a one-off or on-going basis. An advice fee applies.
- ✓ Ongoing advice service is available at a competitive price.

General, simple and comprehensive advice is provided by Telstra Super Financial Planning Pty Ltd (TSFP) AFSL 218705– which is wholly owned by Telstra Super Pty Ltd (TSPL). Refer to TSFP Financial Services Guide (FSG), dated 1 December 2020 for important information about the services.



**The fund you trust
with your super, is now
there for your friends.**

**Invite a friend.
We'll do the rest.**

telstrasuper.com.au/refer



**Competitive
fees**



**Profits back
to you**



**Strong long-term
performance**



**Simple advice
on you super**



**When we win,
you win!**



**Responsible
investors**

Happy to answer your questions.



1300 033 166

8:30am - 5:30pm (Melbourne time) Monday to Friday



talkingsense@telstrasuper.com.au



telstrasuper.com.au



**As a leading profit-to-member fund, TelstraSuper is committed helping our members build a financially secure future.
As a current TelstraSuper member, you are able to refer friends and family members to join TelstraSuper.**