
A DOZEN new reforms have made Australia's complex superannuation system even more confusing.

This week's Budget announcement to claw back billions of dollars of super tax concessions from the rich and give some to lower income earners will potentially affect all Australians, although the Turnbull Government says only 4 per cent will suffer a negative impact.

It's the biggest change to super since Peter Costello's 2007 Budget, says Institute of Actuaries president Lindsay Smartt.

"Overall the Budget changes improve the system, making it fairer while also increasing revenue to assist the economy in these financially constrained times," he said.

However, terms such as "non-concessional superannuation contributions" and "transition to retirement income streams" make many people's eyes glaze over, so here's a guide showing how you might be affected.

**YOUNG WORKERS**

The nasty bits of the Budget's super strategy target people with huge balances or who are earning more than $250,000 a year. Your first job is unlikely to put you into that league.

While there are no negatives, there are some positives for young workers. A Low Income Superannuation Offset will pay up to $500 into the super accounts of people earning under $37,000, effectively meaning they pay no tax on their super contributions. This replaces a similar Labor scheme that was set to be scrapped next July.

Pauline Vamos, the CEO of super industry group ASFA, said this would benefit more than three million people, two thirds who are women.

Putting extra money into super from the start is a great way to build a bigger balance, but that money is likely to be locked away for about 50 years for young workers, who might have other priorities such as saving for a house deposit.

**YOUNG FAMILIES**

Super is often the last thing on the minds of couples juggling work, mortgages and children. While all workers are affected by the Government reducing the annual cap onconcessional contributions such as employer payments and salary sacrifice – to $25,000, there's little chance that a young couple can stash that much away.

There are some Budget changes that can help boost savings. If one partner works part time, there may be benefits from the low income offset.

The rules around receiving a $540 tax offset for making contributions on behalf of a low-income spouse have been relaxed. Previously the spouse needed to earn below $10,800 but the Budget increases that threshold to $37,000. It's a nice tax top-up if your family qualifies.

There are also new catch-up rules for contributions made by people who have been out of the workforce for a while – such as stay-at-home mums. If they miss a few years of contributions, they can add extra.

"The changes to the flexibility caps will allow women, in particular, who currently retire with less than half the superannuation of men, to catch up," Ms Vamos said.

Financial strategist Theo Marinis said falling contribution caps meant people could no longer pump large amounts of money into super in their later years, so contributions should be spread out over a working life.

"My mantra is as soon as you can, as much as you can, for as long as you can," he said.

**OLDER FAMILIES**

Wages generally peak during this period, so savers should make sure their compulsory employer payments combined with salary sacrifice do not push them above the cap.

There's also more flexibility, with anyone able to make personal contributions to super and claim a tax deduction up to the $25,000 cap. Mr Marinis said some employers still did not allow salary sacrifice, so this change opened the door for everyone.

This cap reduction – from $30,000 for under-50s and $35,000 for over-50s – has been the most criticised Budget super measure, with several industry groups claiming it will stop people from saving enough for retirement.

Among other rules, high income earners on $250,000 plus will have to pay 30 per cent tax on their super contributions instead of 15 per cent, there's a lifetime cap of $500,000 for after-tax contributions, and the Government is tweaking the transition to retirement rules to stop them being used for tax minimisation.

Mr Marinis said Treasurer Scott Morrison had become the superannuation system's "fixer" by winding back many of the huge super tax breaks introduced during the mining boom. "Don't get disenchanted," Mr Marinis said. "Superannuation has been ridiculously generous for the last nine years – and it's still generous."

**SENIORS**

The Government is introducing a $1.6 million cap for people transferring super to into the zero tax pension phase. So if you're among the 3000+ Australians with a super balance above $10 million, poor you.

The money could still be left in a super accumulation fund, where it is taxed at just 15 per cent, or withdrawn. This is not a headache most seniors will face, with the Budget papers putting the average super fund balance at $285,000.

A welcome Budget change for seniors is the ability to put money into super between age 65 and 74 without having to satisfy minimum work requirements.

The biggest financial challenges for seniors are outside of super, with age pension changes to affect hundreds of thousands of people from next year, and paltry investment returns from deposit accounts likely to sink further after this week's interest rate cut.

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