From: Grow | Marinis Group
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Dear friends

Welcome to our 2016 Post Budget Update.

My key message after the federal budget is that there is no need to panic. As they say in the classics, 'Keep calm and carry on!'

The good news is that the majority of people will NOT be affected by the Treasurer's proposal to cap the amount of super which can be held in pension phase.

Of our clients, we estimate that 96% will not be affected by the changes, and I will be contacting those of you who may be, when we see how many of these proposals actually become law.

Bear in mind, that there is an election to contend with and there will be a new government and a new parliament that itself, must vote on the 2016 Budget proposals. Therefore some of the proposals may not even become law or may be amended by the new parliament, before doing so!

The changes clearly target individuals with higher retirement balances, however my advice is not to be stressed. IF all the changes are enacted, Super will still be more generous and more tax effective than it was, prior to when the 'Simple Super' rules were introduced in 2007.

In addition, despite the fear mongering (in which media commentators love to indulge) the proposed new rules are STILL more generous than the old Reasonable Benefit Limit (RBL) rules. Under this regime, a balance of more than $1.5 Million in a superannuation Account Based Pension (ABP) would effectively have meant that the excess was taxed at 49%.

In addition, all the income from that ABP was NOT tax-free to those over 60 as currently applies – the income was taxed at marginal tax rates, less a 15% tax offset.

Nevertheless, the way successive governments have tinkered with super is frustrating. Whilst I love my job, I feel very sorry for the average working Australian trying to navigate a way through the increasingly complex and ever-changing superannuation system, especially without a financial adviser. We need a system that is easy to understand and easy to use – too many individuals miss out on opportunities available in the super system simply because they didn't know they existed. This, in my view, is fundamentally wrong.

As soon as changes become clearer, be assured that we will be pro-active in contacting our clients who may be negatively affected, to ensure that you receive appropriate guidance and advice.

As always, if you would like to discuss any aspect of this edition of eGrow or its attachment please do not hesitate to contact me or any member of the Marinis Financial Group team on 08 8130 5130 or via email at admin@marinisgroup.com.au.

Kind Regards

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Super rules shake up

Personal finance writer ANTHONY KEANE examines how the changes will affect you

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

This week's Budget announcements 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 on concessional 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.

	BEFORE			AFTER		
	TAX	LIMIT	OTHER	TAX	LIMIT	OTHER
CONCESSIONAL (BEFORE-TAX) CONTRIBUTIONS Include: • Compulsory Super Guarantee contributions; • Voluntary salary-sacrificed contributions; and • Voluntary personal contributions where a tax deduction is claimed	15% 30% IF INCOME AND SUPER >$300K REFUND TAX IF INCOME <$37,000 Low Income Super Contribution	$30,000pa ($35,000 FOR PEOPLE 50 AND OVER)	Only the self-employed whose salary wage is less than 10% of their income can make deductible contributions People over 65 cannot make voluntary contributions if not working	15% 30% IF INCOME AND SUPER >$250K REFUND TAX IF INCOME <$37,000 Low Income Super Tax Offset	$25,000pa FOR EVERYONE and allowing catch-up contributions of unused caps over 5 years for people with balances $500,000 or less	Everyone is able to claim a tax deduction for super contributions to eligible super accounts up to the cap People aged 65-74 can continue to contribute without meeting the work test
NON-CONCESSIONAL (AFTER-TAX) CONTRIBUTIONS	$500,000 LIFETIME CAP FOR EVERYONE					
EARNINGS TAX IN THE RETIREMENT ACCOUNTS	$1.6M TRANSFER BALANCE LIMIT EXCESS BALANCES CAN BE HELD IN AN ACCUMULATION ACCOUNT					

'Sea Hero Quest' game is the latest unlikely dementia aid

CITIZEN scientists are being encouraged to join the fight to tackle dementia by playing a game on their phones.

Scientists hope that the more people play *Sea Hero Quest*, the better awareness they will have about human spatial navigation.

As players make their way through mazes of islands and icebergs, every second of gameplay will be translated into scientific data by experts exploring this area of the brain.

Launching the game, telecommunication company Deutsche Telekom said it would take over five hours of traditional research to gather the same amount of data that will be generated by one player gaming for just two minutes.

For many people living with dementia, one of the first symptoms they experience is a loss of spatial awareness, as they lose the ability to navigate their way through even well known places and environments.

Experts hope the game will provide new insights into spatial awareness.

The free game - available from the App Store and Google Play - was designed in collaboration by scientists from University College London, University of East Anglia, Alzheimer's Research UK and game creators Glitchers.

Hilary Evans, chief executive at the charity Alzheimer's Research UK, said: "We have never seen anything undertaken in dementia research at this scale before.

"The data set that Deutsche Telekom's *Sea Hero Quest* generates is truly unprecedented; until now these kind of investigations took years to co-ordinate and at best gave us a snap shot of how a very small sample of volunteers behaved.

"The largest spatial navigation study to date comprised less than 600 volunteers. Providing the research community with access to an open source data set of this nature, at this scale, in such a short period of time is exactly the kind of innovation required to unlock the next breakthrough in dementia research."

All of the information generated through the game will be made anonymous and stored securely, a spokeswoman for Deutsche Telekom said.

It's a super bad idea

Industry takes swipe at tighter cap on pre-tax contributions

ANTHONY KEANE

THE nation's superannuation industry has slammed the federal Budget's lowering of the cap on pre-tax contributions.

The government says that from July 2017 a cap of $30,000 for under-50s and $35,000 for over-50s will fall to $25,000.

But the Self-Managed Superannuation Funds Association said that this was a backward step.

And the Association of Superannuation Funds of Australia chief Pauline Vamos also said it was a bad idea.

She said that it limited how much people could put into superannuation, "which is still not mature".

Many ordinary workers only began thinking about their superannuation funds when they reached their 50s.

These people would now have less of a chance to build up their superannuation balances quickly.

The biggest losers under the government's 12 Budget changes to superannuation will be those earning more than $250,000 a year, those with more than $1.6 million in their super, and those with huge lump sums ready to pump into their funds.

The government will be banking on that being a relatively small number of Australians, who would be more likely to vote for the Coalition parties in any event.

A decision to introduce a Low Income Superannuation Tax Offset will be of benefit to more than three million people, two-thirds of whom are women, the ASFA said.

Seniors can contribute to their superannuation up to age 74 without having to meet work requirements, and can claim a tax deduction for super contributions that for many had not been allowed.

Financial strategist Theo Marinis said that Treasurer Scott Morrison was winding back tax breaks introduced by the Howard government during the mining boom, which had principally benefited wealthier Australians.

"Superannuation has been ridiculously generous for the last nine years, and it's still generous," Mr Marinis said.

Of course, the proposed changes are not a done deal: the government must still be re-elected and get them through the Senate.

"Be mindful of the dates when everything applies," Baillieu Holst financial adviser Helen Dundon said.

"There are a lot of changes that have been proposed and don't come into effect until July 2017."

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KEY SUPER CHANGES

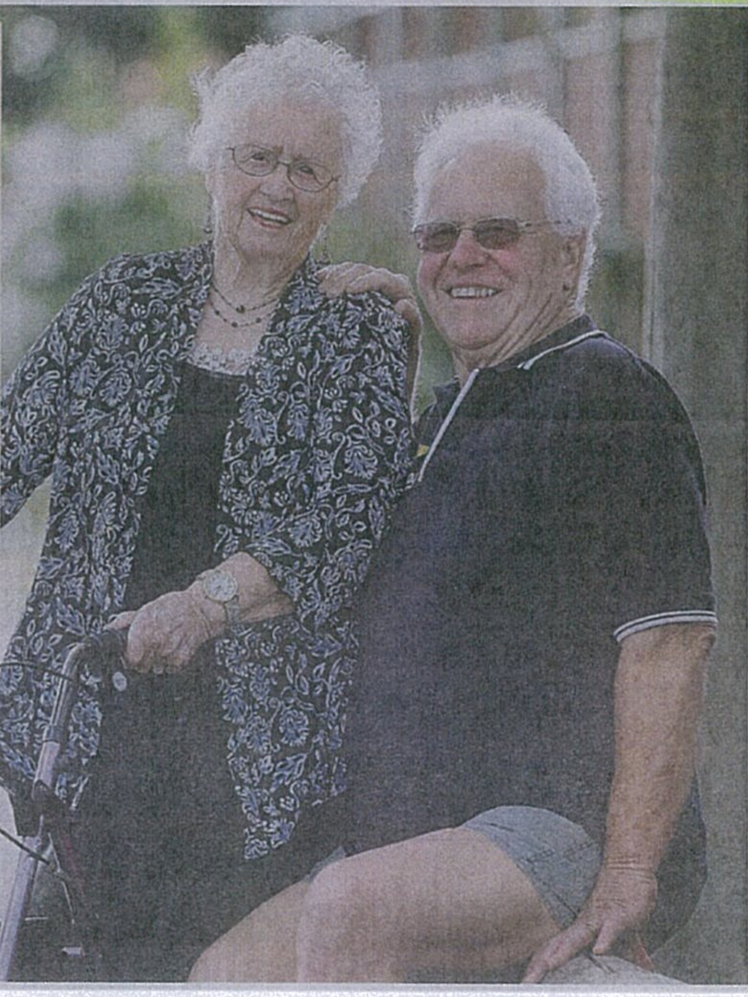
- Reducing the cap on pre-tax super contributions to $25,000 per year
- A lifetime cap of $500,000 for after-tax contributions
- A $1.6 million cap on how much money can be transferred to a private tax-free pension at retirement
- Higher taxes on contributions for workers earning more than $250,000 a year
- A Low Income Superannuation Tax Offset to replace Labor's similar scheme
- More flexibility for contributions from Australians aged 65 to 74
- More flexibility for people who take time off work to raise children

WINNERS

- Individuals earning less than $37,000 a year
- Women and men who have interrupted work patterns
- Couples with a spouse earning less than $37,000 a year
- People with super balances below $500,000

LOSERS

- Retirees and super fund members with balances above $1.6 million
- People earning more than $250,000 a year
- Anyone wanting to inject a big lump sum — greater than $500,000 — into their super fund
- People wanting to save tax through a transition-to-retirement strategy



Phyllis Atkinson and Dave Caines. Picture: ALEX COPPEL

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CALLS FOR PENSION BALANCE

TIFFANY KORSSEN

FRIENDS Phyllis Atkinson, 84, and Dave Caines, 71, both say the key Budget changes to superannuation are acceptable, but are instead calling for an increased pension.

Retiree Mr Caines, from Werribee, says he doesn't have a problem with capping pre-tax super contributions at $25,000 a year, the new lifetime cap of $500,000 for after-tax contributions, the $1.6 million cap for starting a tax-free super pension and the decision to tax high-income earners more on their super contributions.

"The idea of a super fund is that when you retire you can live off your investments, not necessarily die with all that money still intact," Mr Caines says.

"If you've got 1.6 million you don't need the pension."

Fellow pensioner Mrs Atkinson, of Yarraville, says it is unlikely the superannuation changes would affect many retired people.

"I've never had money like that, so it doesn't affect me," the former post office worker says. "Most of us pensioners are struggling to survive, because the cost of living keeps increasing but the pension never does."