Keeping in Touch
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Election update: how will your finances be affected?

Now that the election has been finalised, here we look at some of the new government's policy changes that could have an impact on your financial situation.

If you invest in superannuation

From 1 July 2017, the level of pre-tax contributions that you can make each year, such as those from your employer and through salary sacrifice, will be reduced to $25,000.

This $25,000 limit will even apply to those 50 or over who could previously contribute up to $35,000 and pay the concessional tax rate of 15 per cent.

The level of contributions that you can make into super after-tax will reduce from a maximum of $180,000 per year (or $540,000 for those that could apply the 'bring forward' rule) to a lifetime cap of $500,000.

This change is proposed to take effect from 7.30pm AEST 3 May 2016 and takes into account all after-tax contributions made on or after 1 July 2007.

What these changes mean: You may need to change the way in which you contribute to superannuation, especially as you get closer to retirement.

A qualified financial adviser can explain these changes to you in more detail and design a contribution strategy that may help you to manage your retirement savings.

If you are transitioning to retirement

A transition-to-retirement pension allows people aged 56-64 (depending on their date of birth) to drawdown on their superannuation while still working.

It can be used to increase super savings or supplement income needs.

Earnings generated by these pension accounts are currently tax-free, however it is proposed that earnings will be taxed at 15 per cent.

What these changes mean: These changes, combined with the reduction in contribution caps, may impact strategies using transition-to-retirement income streams.

The changes are complex, so getting some advice on how to review the structure of your finances is definitely worth considering.

If you receive the Age Pension

The changes to the Age Pension assets test thresholds that were announced before the election will take effect from 1 January 2017.

These thresholds determine how much Age Pension a person can receive, based on their assets and whether they own their home.

The rate at which the Age Pension reduces (called the taper rate) will increase from $1.50 to $3 per fortnight for every $1,000 that an individual or couple exceeds their asset test threshold.

What these changes mean: As many as 326,000 pensioners will lose some or all of their age pension entitlements from 1 January 2017.

While a Commonwealth Seniors Health Card, offering bulk-billing for Medicare and cheaper prescription medicines, will soften the blow, it is still going to be a huge change in income for those affected.

There is still a little time to reduce the impact of these Age Pension changes, something that a qualified financial adviser could help you with if you act quickly.

The importance of financial advice

With these and many other policy changes affecting financial services it can be hard to make sense of them and understand what their impact will be on you personally.

A qualified financial adviser can explain these to you and make adjustments to your financial plan to help you make the most of what you have, whatever your financial situation or age.

Please contact our office today to make an appointment and if you enjoyed this article, feel free to share it with your friends and family.

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