Keeping in Touch
your monthly update
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How the recent Budget affects families

With so many announcements made as part of the May 2014 Federal Budget, it can be hard to work out exactly which will have an impact on the family budget.

To help you with your cash flow planning, here are the main proposed changes that will have a financial impact on families:

Increased costs for petrol, visits to the doctor and some prescription medicines will all put pressure on the family budget.

The change in fuel excise will come into effect on 1 August this year which will see the price of petrol rise by the inflation rate every six months.

Medical care will also be more expensive, with a new co-payment of $7 payable each time you visit the doctor.

These fees apply even if your doctor currently bulk bills, however some good news for families is that this fee for children under the age of 16 will only apply for the first 10 visits.

If you currently buy medicine that's subsidised by the pharmaceutical benefits scheme, you'll pay an additional $5 for this too.

Changes to family tax payments through much tighter access to the Family Tax Benefit Part B.

This benefit will now cut out when the family's main income earner reaches $100,000 per annum which is significantly lower than the current threshold of $150,000 per annum.

This benefit will also now cut out when the youngest child in the family turns six.

These two changes combined mean that many will stop receiving this benefit straight away, which affects quite a large number of families, given 60%[1] of families with children under age 16 currently receive this benefit."

And then for those families that will continue to receive it, the actual payments will also be frozen for two years and won't rise in line with inflation.

So while there won't be any impact on the dollar value being received, this change means the buying power of this family benefit will be eroded over time.

[1] ABC News *Budget 2014: Family Tax Benefit cuts worth billions to hit families,* 14 Mary 2014.

Changes to tertiary education means higher university fees for new students that enrol from July 2016 onwards. Arrangements for existing students will remain in place until 2020.

Under the Budget, universities are now free to set their own fee schedule without any restrictions or caps at all.

This would suggest that many popular undergraduate and post-graduate courses may become much more expensive.

For those families that have spent many years saving hard for their children's school fees, having to now factor in potentially higher university fees is something that may be beyond the reach of many family budgets.

Increased taxes for those earning over $180,000 per year through the introduction of a temporary rise in the highest marginal tax rate.

Everyone in the highest tax bracket will pay an extra 2% tax on taxable income over $180,000 in the 2015 tax year. and then the same for two years after that.

This is the widely-reported 'debt levy' that will be collected from high income earners to help the government repair the budget.

Changes to rises in the superannuation guarantee through the schedule of previously announced increases being amended.

While the good news is that the employer contribution will rise to 9.5% from July 2014 it will however stay at this rate for three years, with the full increase to 12% now not taking place until July 2022.

Although this doesn't impact the family budget directly, it does mean that making additional contributions to super via salary sacrifice or from your after-tax salary may be worth considering.

Planning is the key

The changes announced in the recent Budget highlight that cash flow planning over the long-term is now more important than ever.

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Many of the changes will have a direct impact on the family budget in the near term, making it difficult to know what decisions are best for the future.

A financial adviser can help you to understand what this Budget means for you and your family, and suggest some strategies that will help you squeeze the most out of your family budget.

To find out more, please contact us for an appointment.

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