Keeping in Touch
your monthly update
July 2014
financial services partners

How the recent Budget affects singles

With so many announcements made as part of the May 2014 Federal Budget affecting families and retirees, it can be hard to work out exactly what will have an impact if you're single.

Here are the main proposed changes that will have a financial impact on your budget:

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

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

Changes to tertiary education means higher university fees if you're looking to 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 will become more expensive, meaning the size of most students' HELP debt (High Education Loan Program) will also increase.

Other changes to HELP include an increase in the interest being charged, while the income threshold before graduates have to start paying down their debt has been lowered to $50,638, down from $53,345."

The First Home Saver Account (FHSA) scheme which was designed to help new home buyers save for a deposit, has been scrapped.

This was an initiative put in place by the previous government with a concessional tax rate of just 15% on income earned and a 17% co-contribution if you saved at least $6000 each year.

While there was some confusion about how you could access your money, those that had set up a FHSA felt they had made a really positive start to their saving for a home so they will be disappointed this scheme no longer exists.

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 with previously announced increases now being slowed down.

While the good news is that the employer contribution will rise to 9.5% from July 2014, it will however stay at this rate until 30 June 2018, with the full increase to 12% now not taking place until July 2022."

Although this doesn't impact your 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 cashflow planning over the long-term is now more important than ever.

Many of the changes will have a direct impact on your 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 suggest some strategies that will help you to accumulate wealth over the long term.

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

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