



Federal Budget 2017-18 Update

Retirees and Pre-Retirees

How the Budget may affect retirees and pre-retirees

The announcements in this update are proposals unless stated otherwise. These proposals need to successfully pass through Parliament before becoming law and may be subject to change during this process.

Summary: What's in and what's out

- Over 65s will be able to make a non-concessional contribution of up to \$300,000 each into their superannuation fund from the proceeds of the sale of their principal home from 1 July 2018.
- Pensioners will receive a one-off energy bill payment of \$75 for singles and \$125 for couples
- The pensioner concession card will be restored to those affected by the pension assets test change on 1st January 2017
- The Medicare Levy will rise by 0.5% to 2.5% on 1 July 2019
- No material changes to Aged Care
- No changes to negative gearing
- Former Farm Threshold Allowance recipients eligible for loans.

Overview

Contribution of home sale proceeds into super

Australians over the age of 65 will be able to make a non-concessional contribution of up to \$300,000 into their superannuation fund from the proceeds of the sale of their principal home.

Medicare Levy

The Medicare Levy will increase on 1 July 2019 by 0.5% to 2.5% of taxable income to help fund the \$22 billion National Disability Insurance Scheme. Treasurer Scott Morrison says all Australians have a role to play in supporting the scheme, even if they aren't directly affected.

The Budget lifts the freeze on the indexation of the Medicare Benefits Schedule, improving the incentives for GPs to bulk bill, and reinstates bulk billing for diagnostic imaging and pathology services. Hospital funding will increase by an additional \$2.8 billion over four years and an additional \$115 million will be spent on mental health initiatives.

Another \$1.4 billion will be spent on health research over the next four years and \$1.2 billion in new medicines will be made available, including for patients with chronic heart failure, funded by an agreement to decrease the cost of medicines for taxpayers.

Pensioner Concession Card

The Pensioner Concession Card will be reinstated for those pensioners who were no longer entitled to the pension following the changes to the pension assets test from 1 January 2017. Stricter residency rules will be put in place for access to The Age Pension and Disability Support Pension. The Liquid Asset Waiting Period will increase to 26 weeks from 13 weeks from 20 September 2018 for certain payments. However age pensions, disability support pensions and carer payments will not be affected by the increase as they are not subject to a Liquid Assets Waiting Period..

Seven working-age payments and allowances will be consolidated into one payment called a JobSeeker payment. The intent is to achieve a more equitable and consistent participation requirement for the affected payments. Pensioner Concession Card and Health Care Card eligibility will not be affected by the changes.

The Pensioner Education Supplement and Education Entry Payment will be aligned with the study loads undertaken effective from 1 January 2018. In addition, the Pensioner Education Supplement is not payable during semester breaks and end of year holidays.

People over the age of 60 and under the Age Pension age will have a lower activity test requirement for the Newstart Allowance.

Former Farm Household Allowance recipients who do not receive any other Commonwealth income support will be eligible for loans of up to 50% to refinance their debt to a maximum of \$1 million.

Major bank levy

A major new levy on the five biggest banks with liabilities above \$100 billion will raise \$6.2 billion over the Budget forward estimates. It will not apply to additional Tier 1 capital and deposits of individuals, businesses and other entities protected by the Financial Claims Scheme. The Australian Competition and Consumer Commission will undertake a residential mortgage pricing inquiry until 30 June 2018 in conjunction with the levy.

What's next?

Most changes must be legislated and passed through Parliament before they apply. If you think you may be impacted by some of the Budget's proposed changes, you should consider seeking professional advice. A financial adviser can give you a clear understanding of where you stand and how you can manage your cash flow, super and investments in light of proposed changes.

If any of these proposals raise questions, concerns or potential opportunities for you, we encourage you to please speak with your financial adviser today.



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