YOUR 2019 GUIDE

TO SUPERANNUATION AND RETIREMENT PLANNING PROPOSALS

SUPER, TAX AND RETIREMENT PLANNING ARE ALL KEY POLICY AREAS AND EVEN MORE SO IN A FEDERAL ELECTION YEAR.

Over the years – and in the last decade in particular – there have been major policy shifts to super and the broader retirement income framework that have had a significant impact on investors.

Given the speed of change, it can be difficult to keep up. So, our aim with this White Paper is to bring you up to date with the developing policy environment and provide you with information which may assist you in considering potential future actions.

It is however important to note that it is not uncommon for competing policies to be announced and later amended or never legislated. Now is the time to understand how investing in the future may look and consider what might make sense for you.

We believe self managed super fund (SMSF) trustees are in a strong position to adapt to new legislation and make adjustments if needed. Dixon Advisory's experts are here to support you with that process.

What should I be considering now?

There are policies in place that may already make sense to you. Don't let the election campaign distract you from planning or implementing your current end-of-year strategies.

Depending on when the nation decides on the shape of its government, both Houses of Parliament may be able to sit for up to 12 days before the end of the financial year. In theory this would allow time for priority legislation to be passed through the Parliament, but over previous terms of government, the final makeup of the Senate and the ability to negotiate the passage of individual pieces of legislation has taken some time to resolve itself.

What makes sense for you?

While contributing more money to super before 30 June won't be appropriate for everyone, it's worth reviewing your superannuation contribution strategy over April–May.

The annual individual non-concessional contribution limit is $100,000, but is only available this financial year if your total super balance was less than $1.6 million as at 30 June 2018. If you're under 65 years of age and your total super balance was less than $1.4 million as at 30 June 2018, the three-year bring forward rule may allow up to $300,000 to be added to super in a single year.

Tax deductible concessional contributions of $25,000 can be made to super, regardless of your super balance (although age restrictions still apply) and this may help to reduce your personal tax liability.

Other contribution categories to consider include the spouse contribution tax offsets, downsizer and co-contributions.

With all of these strategies, there are criteria and considerations, so you may wish to get advice.

What are the relevant policy positions of the Liberal–National Coalition?

In 2017 the Liberal–National Coalition introduced the 'Fair and Sustainable' super reforms. These reforms included:

- limiting the amount that may be held tax-free in the retirement phase
- increasing tax payable within transition to retirement pensions
- reducing concessional and non-concessional contribution limits
- reducing the higher income super contribution threshold to income levels of $250,000 or more
- introducing catch up concessional contributions
- broadening the eligibility thresholds for the spouse contribution tax offset.

After a program of such extensive changes, the next three Federal Budgets contained fewer changes for super. Those that have been legislated since that time include:

- the introduction of downsizer contributions
- the introduction of the First Home Super Saver Scheme
- the introduction of a work test exemption for recent retirees
- protections for small super balances from excessive fees
- personal taxation cuts.

The 2018 Budget Proposal to increase the maximum number of SMSF members from four to six did not gain support in the Parliament and was withdrawn on 2 April 2019, with the Coalition noting it will seek to attempt progressing it at a later time.

Additional super and personal tax measures were announced as part of the 2019 Federal Budget, which have not been legislated. These include:

- removal of superannuation work test for individuals aged 65 and 66 years
- extending access to the bring-forward arrangements
- increasing the age limit for spouse contributions to 74 years
- further personal taxation cuts.

More detailed information on the above measures can be found in our 2019 Budget Summary.

What are the relevant policy positions of the Australian Labor Party?

The Australian Labor Party (ALP) has set out a range of proposals that form their super and tax policy for the 2019 election. Some of which were their preferred version of the 'Fair and Sustainable' super reforms introduced by the Liberal–National Coalition in 2017. Other proposals are newer.

The proposals include:

- personal taxation cuts
- reducing the annual non-concessional contribution limit to $75,000
- ceasing the catch-up contribution policy
- reducing further the higher income super contribution threshold to income levels of $200,000 or more
- tightening the criteria on tax deductibility for personal super contributions
- ceasing the refund of franking credits
- limiting negative gearing
- reducing the capital gains tax discount from 50 per cent to 25 per cent
- applying a minimum 30 per cent tax on discretionary family trust distributions
- phase out the First Home Super Saver Scheme.

Other super related proposals outlined by the ALP include:

- extending compulsory Superannuation Guarantee to parental leave payments
- increasing eligibility of Superannuation Guarantee to include low income earners
- increasing the Superannuation Guarantee as soon as fiscal conditions allow.

What does the future of Super look like?

If you want to understand how investing and super in the future might look for your situation, it's helpful to work through what your priorities are and what may be changing in the future. You can use the questions in the following checklist to assist you:

- Where are your investments held (e.g. retirement pensions, super, personal name or trust) and is this the most effective arrangement for your circumstances?
- How much income is generated from each investment (e.g. from Australian shares, property, cash, term deposits)?
- What tax offsets and rebates are you currently receiving? (NB: last year's tax return can help)
- What are your future cash flow requirements?
- Are you planning to sell a large asset, including downsizing your home, and if so, when?
- How long until you retire, or stop work completely?
- How much more do you need to save before you stop work?
- Do you want to bring children into your wealth management plans?

It makes sense to familiarise yourself with the developing policy environment now and consider possible future actions.

If you recognise you may need assistance, starting a conversation with one of our experienced Dixon Advisory specialists can be helpful. So, you can take the first step today by calling **Dixon Advisory on 1300 883 158**.

Importantly, at this stage, it should be noted these are party-specific policy proposals which are subject to the final outcome of the federal election. As a result, whichever party is elected, their specific proposals could be subject to further amendments and may not continue in their current form. Investors should consider this information in the context of understanding the potential impacts in order to plan ahead – without acting prematurely and incurring unnecessary expenses and administrative burden.