Grow Your Wealth
Financial Services Townsville

BUDGET 2021 YEAR

Market Update

GROW YOUR WEALTH – PRIVATE WEALTH MANAGEMENT AND SEPERATELY MANAGED ACCOUNTS

The Federal Government handed down its Budget for the 2021-22 financial year. Compared with last year's record deficit of $213.7 billion, the underlying cash deficit is projected to decrease to $161 billion as the economy continues the path to recovery from Coronavirus

Some of the key Budget announcements that should be of interest to you and your clients include:

- the removal of the work test for non-concessional and salary sacrifice contributions
- a reduction in the minimum age requirement for downsizer contributions
- an increase in the amount of super savings available to first home buyers
- additional investment into aged care following a Royal Commission into the quality and safety of the system.

It's important to note that the legislated increases to superannuation guarantee were not amended in the Budget. Therefore, rate of superannuation guarantee will increase to 10% from 1 July 2021, as previously legislated.

In addition, the Government did not announce an extension of the halving of the account-based pension minimums. As a result, the standard minimum drawdown requirements will apply from 1 July 2021.

Super Contributions

It is expected that from the 01/07/2022 individuals between 67-74 will not need to meet the work test to put more money into superannuation, it will still be limited but current contribution caps.

Change to Downsizer contributions

By 01/07/2022 you will be able to make a one off $300,000 contribution into superannuation for the proceeds of the sale of you home which you have held for at least 10 years as age 60 currently 65.

First Home Super Saver Scheme

From the 01/07/2022 the government will increase the maximum amount you can withdraw from superannuation to be used as a deposit for a first home of $50,000.

Removing the $450 per month minimum superannuation guarantee threshold

Expected to be 1 July 2022 The Government has announced it intends to remove the $450 per month minimum superannuation guarantee (SG) income threshold. Under the current rules, an employer is not required to pay superannuation guarantee contributions for an employee who earns less than $450 per month.

Complying pension and annuity conversions

Effective first financial year following Royal Assent the Government has announced people with certain complying income stream products will be given a two-year window to commute and transfer the capital supporting their income stream (including any reserves) back into a superannuation account in the accumulation phase. The member can then decide whether to commence a new account-based pension, take a lump sum benefit or retain the balance in the accumulation account.

Relaxing residency requirements for SMSFs and Small APRA Funds (SAFs)

The Government plans to relax the residency requirements for SMSFs by extending the central management and control test from 2 to 5 years and removing the active member test. Under current rules, SMSF trustees living overseas who intend to return to Australia at some point can be away for a period of up to two years and the fund will still meet the central management and control test. Under the proposal, the trustee will be able to be away for up to five years and still meet the test.

Increasing the flexibility of the Pension Loans Scheme

Effective 1 July 2022 The Pension Loans Scheme (PLS), a voluntary, reverse mortgage type loan available through Services Australia, currently allows a fortnightly loan of up to 150% of the maximum rate of Age Pension. From 1 July 2022, the Government will implement two changes to the scheme – a No Negative Equity Guarantee and lump sum advances.

A No Negative Equity Guarantee will be introduced so borrowers, or their estate, will not have to repay more than the market value of their property, in the rare circumstance where their accrued PLS debt exceeds their property value.

Eligible people will be able to receive one or two lump sum advance payments totaling up to 50% of the maximum Age Pension each year. Based on current Age Pension rates, this is around $12,385 per year for singles and around $18,670 for couples combined. Note, the total amount eligible people can receive under the pension loans scheme, including any lump sum advance payments, has not changed. The total amount cannot exceed 150% of the maximum Age Pension which is around $37,155 per year for singles and around $56,011 per year for couples.

Increased funding for Home Care

Effective 1 July 2021 to support senior Australians to remain at home, the Government is funding an additional 80,000 Home Care packages:

- 40,000 released in 2021-22
- 40,000 released in 2022-23

Additional respite care services will be provided to assist carers and enhanced support services will be provided to assist senior Australians to navigate the aged care system.

Grow Your Wealth
Financial Services Townsville

51 Thuringowa Drive
Kirwan QLD 4817