



MEDIA RELEASE

BUDGET - A MIXED BAG FOR RETIREES

In a most comprehensive review of superannuation policy, there is both good and bad news for retirees in the Federal Budget.

According to the Association of Independent Retirees (A.I.R.), the good news for retirees is the greater flexibility for those approaching retirement or in retirement to add to their retirement account. The bad news for many retirees is that from a start date of 1 July 2017 there will be a cap of \$1.6 million held in an individual's retirement account that will remain untaxed (\$3.2m for a couple).

The major benefits will be to remove the work test for those aged 65 to 74, increase the spouse entitlement, increase the flexibility for superannuation for women with interrupted employment, and enable the carrying forward of any unused concessional entitlement. There will also be the introduction of a greater range of tax free retirement income products.

However, from 1 July 2017 the tax free cap will be set at \$1.6 million. Any amount above this cap can remain in an accumulation superannuation account and be taxed at fifteen percent, or transferred to an ordinary taxable account and taxed accordingly. The cap will be indexed in line with the CPI.

All of the above measures are subject to legislation and Parliamentary approval before July 2017.

The major disappointment is the break by the Government in the longstanding policy and accepted principal of "grandfathering", under which those already in the superannuation system are allowed to continue their current arrangements undisturbed and with confidence that they will remain so. The constant tinkering with aspects of the superannuation system is unsettling and destabilising, for both those already in the superannuation system and those soon to retire who have made their retirement plans based on existing parameters. Given the end to grandfathering provisions, we sincerely hope there will be no further change.

A.I.R. is also unhappy that in spite of intensive lobbying of the Government, there is no recognition of the ongoing reduction in income for many retirees who rely on bank deposits and other basic investments. For some a reduction in the compulsory drawdown percentage to allow them to preserve their capital, as was done during the GFC, would have been helpful. The Association has also argued for the need to recognise the rapidly increasing longevity of Australians and thus to reduce the current requirement for a significant lift in the drawdown percentage when retirees are in their eighties.

For further information, contact Sue Hart, Executive Officer on 02 6290 2599.

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The Association of Independent Retirees (A.I.R.) Ltd is a member-driven national, not for profit, non-political organisation which works to advance and protect the interests and independent lifestyle of Australians in retirement. A.I.R. seeks to secure recognition and equity for Australians who, through their diligence and careful management, fully or partly self-fund their own retirement needs.