

Technical update – August 2010

Co-contribution changes from 1 July 2010

The Government passed legislation to permanently retain the current co-contribution rate for eligible personal non-concessional contributions at \$1 for every \$1 up to \$1,000. The rate would remain at 100% and not increase to 125% in 2012/13 and 150% in 2014/15 as it was previously proposed.

Under the changes, the co-contribution income thresholds are not indexed for 2010/11 and 2011/12, with the current thresholds of \$31,920 and \$61,920 retained during this period.

Please speak to your financial adviser how these changes may affect you and how co-contribution may remain an effective strategy to build your super over the long term.

Residency rules for disability support pension

Centrelink has announced changes to the residency rules for disability support pension (DSP) from January 2011. Currently many DSP recipients live permanently overseas but return to Australia every 13 weeks to retain their pension.

From January 2011, only DSP recipients permanently residing in Australia can continue to receive the DSP except under limited and specific circumstances. Centrelink will review the residence status of DSP recipients and focus on those who have three or more overseas trips a year. Please note these changes do not affect DSP recipients who need to leave Australia temporarily, only those who choose to no longer permanently live in Australia.

The 13 week temporary absence rule will remain to allow DSP recipients to legitimately travel overseas for short periods.

Social security and super

For those of you who have superannuation interests as well as being eligible for Centrelink or DVA payments it may be important to understand the general social security assessment rules for super;

- Under age/service pension age super is income and asset test exempt; and
- Over age/ service pension age super is 100% asset tested and subject to deeming

Consequently by holding assets in super either as a single person or as a member of couple who is under age pension age may allow you to maximise social security entitlements.

In addition lump sum withdrawals from super are not generally assessed as income. However, if withdrawals from super are regular in amount or frequency, the withdrawals could be considered income by Centrelink. Once an amount is withdrawn from super and placed in a bank account for example, the amount will be assessed as an asset and deemed as income.

Please speak to your financial adviser to understand whether this strategy suits your specific circumstances.

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