



Superannuation changes: If you want to save put your money in super

Australia's superannuation system has become increasingly complex as a result of changes that have occurred over the last two decades.

These complexities have confused retirement decisions, clouded the incentive to invest in superannuation and impose unnecessary costs on you 'Our Client'.

The Government is proposing a plan to sweep away the current raft of complex tax arrangements and restrictions that apply to your superannuation benefits.

These changes will improve your retirement incomes and increase the incentives for you to continue to work and save.

Under the proposed plan, from 1 July 2007:

- Superannuation benefits paid from a taxed fund either as a lump sum or as an income stream such as a pension, would be tax free for people aged 60 and over.
- Reasonable benefit limits (RBLs) would be abolished.
- Individuals would have greater flexibility as to how and when to draw down this superannuation in retirement. There would be no forced payment of superannuation benefits.
- The concessional tax treatment of superannuation contributions and earnings would remain. Age-based restrictions limiting tax deductible superannuation contributions would be replaced with a streamlined set of rules.
- The ability to make deductible superannuation contributions would be extended up to age 75.

- The self-employed would be able to claim a full deduction for their superannuation contributions as well as being eligible for the Government co-contribution for their personal post-tax contributions.

- It would be easier for people to find and transfer their superannuation between funds.

To increase further the incentives to save for retirement it is proposed to halve the pension assets test taper rate to \$1.50 per fortnight from 20 September 2007.

The superannuation preservation age would not change. The preservation age is already legislated to increase from 55 to 60 between the years 2015 and 2025.

People would still be able to access superannuation benefits before the age of 60, although they would continue to be taxed on their benefits under new simplified rules.

These proposed plan changes would:

- Simplify superannuation arrangements for you and makes it easier to understand;
- Improves the incentives for you to continue to work & save; and
- Introduce greater flexibility in how superannuation savings can be drawn down in your retirement.

If you would like more information on the superannuation changes or would like to speak to a financial planner simply contact us at WHK Prescott on 1300-135-543.

The new 30% child care tax rebate



From 1st July 2006, parents who have a work or study commitment can claim the Child Care Tax Rebate for approved child care expenses incurred between 1st July 2004 and 30th June 2005. This new 30% Child Care Tax Rebate will assist families with the cost of approved child care. It is not means tested and will cover 30% of out-of-pocket expenses for approved child care of up to \$4000 rebate per child.

The offset / rebate is not a 'cash in hand' refund, but rather reduces your tax liability. Taxpayers will also be given the choice of transferring any unused amount to their spouse.

The 30% rebate is claimed through the tax system when lodging your 2006 tax return (for expenses incurred between 1st July 2004 and 30th June 2005). Expenses incurred in the 2005 – 2006 year will be claimed in the 2007 tax return and so on.

You can claim the rebate for the weeks you satisfy each of the following:

- Used approved child care (eg long day care, family day care, before and after school care, vacation care, some occasional care and some in-home care). (To find out if you are using approved child care, call the Child Care Access Hotline on 1800 670 305); and
- Received Child Care Benefit (CCB). (This is paid to families by the Family Assistance Office to assist with the cost of child care). You can only claim the rebate if you are receiving CCB. You can claim both the rebate and CCB. Your rebate will not affect your CCB entitlement; and

- Passed the CCB work/training/study test. (This test assesses whether you and your spouse were working, training or studying enough hours during the weeks in which you were receiving CCB). The test is:

- i) If claiming less than 24 hours CCB, there are no minimum hours of work but you must have a work/training/study commitment.
- ii) If claiming more than 24 hours CCB, you will need to show that you and your partner have work commitments for at least 15 hours per week, or 30 hours per fortnight.

Information you will need to claim the rebate in your tax return is as follows:

1. 'End of financial year CCB letter' from the Family Assistance Office detailing the benefits received.
2. Receipts, summary or similar records of your approved child care expenses.

To work out your rebate, apply the following formula:

..... Total Approved Child Care Expenses
Less
 Child Care Benefit (CCB) Received
 =
 Out of Pocket Expenses
 X 30%
 .. = Potential Child Care Tax Rebate (up to \$4000 per child)

For more information about CCB and the 30% Child Care Tax Rebate simply contact us at WHK Smith Read Prescott on (03) 9882 6699.



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