

What the election outcome means for you?



The federal election is done and dusted, and the Coalition Government has been given another three years in power. How will this outcome affect Australians' finances? What will change – and what won't – when it comes to policies affecting people's money? Can we expect any surprises?

The Coalition Government staying in power will largely mean consistency and continuity. Policies that are positive for people's finances and could have been withdrawn had there been a change in government will now stay.

What are some of these policies, and who can – or should – take advantage of them?

Superannuation policies that will stay

Personal deductible super contributions for anyone below the age of 65

The Coalition Government removed the 10 per cent income test effective 1 July 2017, encouraging more people to make personal contributions to their super. Those aged between 65 and 74 still need to meet the work test requirement to be eligible. To pass this test, they have to show that they've been gainfully employed for at least 40 hours over 30 consecutive days during the financial year in which they plan to make the contribution.

Work test exemption for older members

Related to the previous policy, from 1 July 2019, members aged between 65 and 74 will be able to make personal contributions in the first financial year in which they no longer satisfy the work test requirement. To be eligible, members must have a super balance of less than \$300,000.

Carry-forward concessional contributions

From 1 July 2019, members can make catch-up concessional contributions if their total super balance is under \$500,000 as of the previous 30 June. This scheme was originally meant to encourage individuals with 'broken workforce patterns' to build up their super by giving them access to their unused cap for the previous five years.

Non-concessional contribution cap

Members can continue to make non-concessional contributions of up to \$100,000 a year, unless they have a total super balance of at least \$1.6 million.

Concessional contribution threshold

Concessional contributions that are not excess contributions continue to attract an additional 15 per cent tax if the member's income plus contributions exceeds \$250,000.

Income tax cuts

Australians can expect to continue to enjoy the first round of personal income tax cuts that started in July 2018. This would help them set aside more capital for investment.

The tax cuts provide a temporary tax offset of \$200 for individuals earning up to \$37,000. The offset increases to \$530 for those earning \$48,000 or more, and phases out from \$90,000. The 32.5 per cent tax threshold has also been raised to \$90,000.

These temporary tax concessions will end on 30 June 2022. From 1 July 2022, Australians can expect:

- an increase in the low-income tax offset, from \$445 to \$645
- a further increase in the 32.5 per cent tax threshold, to \$120,000.

Though there is general consensus that we all would like to see the superannuation contribution caps increased we could at least invest surplus capital in tax effective non-superannuation investments however it was proposed that these investment were to become less effective following other proposed changes.

Other proposed changes

Some proposed policy changes which would have had a constraint on personal wealth accumulation and retirement strategies that are not proceeding are;

- From 1 July 2019 the imputation system would remain, however refundable franking credits would no longer be available to individuals and superannuation funds
- Limiting negative gearing to newly constructed housing post commencement, though new investments post implementation can be neutrally geared but cannot offset other income
- Reduction of CGT discount from 50% to 25% though existing arrangements would be grandfathered. (Superannuation was not affected).

Seek professional advice

Recent changes to super and tax rules offer opportunities to build your wealth and prepare for retirement. But keep in mind that they continue to change, and it can be hard to get your head around these policies. If you plan to take advantage of any of these changes, it's wise to speak to your professional financial adviser who can help you see if making additional super contributions, for example, will work to your advantage.

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