

FPA BUDGET RESPONSE

Treasurer Hockey keeps promise on 'no adverse changes' to superannuation in 2014-15 federal Budget

Sydney, 13 May 2014: In tonight's 2014-15 Budget announcement, the Federal Government held firm on its commitment to avoid adverse changes to superannuation. There are some amendments outlined however that will benefit financial planning clients, and as a result have been welcomed by the Financial Planning Association of Australia (FPA).

Specifically, the FPA welcomes changes to the non-concessional cap, which it views as a fairer and more workable solution. It is also in support of the Government's stated commitment to increasing Super Guarantee (SG) to 12%, albeit with a slightly changed timeline, and the increase in the pension age.

Dante De Gori, General Manager, Policy and Conduct at the FPA said:

“Obviously one of the key areas of interest and concern for financial planners and their clients is the treatment of superannuation. Understanding the positive impact that adequate superannuation can make to clients, we welcome the pledge the Government has made to increasing SG to 12%. There has been a slight rejig of the timeline however which means we will reach 12% a year later than previously proposed. The increase to 9.5% will proceed from 1 July 2014 but will then pause at 9.5% until 30 June 2018, before increasing by 0.5% each year until it reaches 12% in 2022-23.

“Another welcome amendment to super has come in the form of changes announced to the non-concessional cap. Financial planners will be able to help clients navigate excess contributions to ensure they are not negatively impacted as may have been the case in the past. The Budget states that for any excess contributions made after 1 July 2013 which breach the non-concessional cap, the Government will allow people to withdraw those excess contributions and associated earnings. Whether they chose this option or decide to leave their excess contributions in the fund will have different implications and financial planners will be pivotal in explaining this to clients.”

At the same time, financial planners will need to help clients understand and respond to the raft of changes to social security.

“The Budget included a number of changes to social security and it will

be up to financial planners to review these changes in detail to identify how their clients' will be impacted. Changes will see the qualifying age increase until it reaches 70 years by July 2035 which will ensure the longer term availability and feasibility of our pension system. These changes will not affect those born before 1958 so many clients facing retirement in the coming years' will not be impacted.

“The Government will also commence indexing pension and equivalent payments and Parenting Payment Single by the Consumer Price Index (CPI). Such changes to indexation mean that financial planners will need to review this in line with their clients' circumstances to determine the impact of these changes on social security and age pension entitlements.”

The Budget also announced funding cuts to the Australian Securities and Investment Commission (ASIC), with the Government predicting savings of \$120.1 million over five years as a result.

“The FPA will be paying close attention to the funding cuts earmarked for the regulator. In particular we will be keeping a watch on the impact to the funding in respect to any adverse effect in terms of licensing costs, and the like, for financial planners. We will also seek to ensure no impact on the regulator's services and capacity to monitor and supervise the industry.”

To assist financial planners to digest the details of the Budget and to provide insight into the ways in which clients may be impacted, Dante De Gori will be holding a webinar for FPA members and non-members alike at 1pm on Wednesday 14 May. Attendees will have an opportunity to ask questions live during the session and can also access the recording after the session has been completed.

About the FPA

The Financial Planning Association (FPA) represents the interests of the public and Australia's professional community of financial planners. The Association is unrivalled in its reach of the financial planning market, influence on government and regulators, standards set through a world-class Code of Professional Practice, unique position as the certification body in Australia for the global CFP® designation, and reputation for quality professional development. With a growing membership of more than 10,000 members and affiliates of whom 7,500 are practising financial planners, the FPA is home to Australia's 5,500 CFP® professionals. Building on a 20-year legacy, the FPA represents the changing face of financial planning from industry to a profession. For more information, visit www.fpabestpractice.com.au

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