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## **MEDIA RELEASE**

### **AFA Response to the 2016-17 Federal Budget**

**SYDNEY: 3 May, 2016** – The Association of Financial Advisers (AFA) believes measures announced in the Federal Budget this evening will benefit small businesses, which represent the engine room of the Australian economy.

AFA CEO Brad Fox said the Government needs to create a paradigm shift by setting a new vision that can inspire the country beyond the post-mining boom era and while it will take time to see if the Budget is enough to create that paradigm shift, it is a step in the right direction.

“The Government has sought to position the nimble, innovative and dynamic small business sector as the means by which Australia can generate the growth and employment that will lead to our next era of prosperity, while also beginning the difficult but essential task of considering the real implications of our ageing population and growing superannuation pool,” Mr Fox said.

“The small business asset deduction initiative is a clear message to small business to invest in assets that increase productivity and profitability. The reduction in company tax rates for small businesses with turnover of up to \$10 million a year increases the incentive for small businesses to invest in the future, to hire, to be bold and to seek significant growth. The trainee staff payment is another step towards getting our youth employed and, together with the other small business incentives, will help Australia move a step closer to full employment.”

Mr Fox said supporting small business is an appropriate position for the Government to take, but cautioned that the managerial skills and decision-making frameworks for businesses seeking growth need to be robust.

“The speed at which the digital economy is changing consumer behaviour is staggering. The trade-offs between taking investment risks and getting appropriate returns is more difficult to judge today than at any time in living memory. Small business owners need to be prudent, but not afraid of making investments and therefore before making significant capital investments in their businesses, should seek advice. Financial advisers, most of whom are self-employed, understand the

financial and emotional needs of their clients and are therefore very well-placed to discuss the real challenges everyday small business owners face.”

In considering the impact on financial advice businesses, the AFA believes that the asset deduction initiative will help financial advice practices to bring forward spending on assets which will help them implement current disruptive changes.

“The financial advice profession continues to face a raft of legislative and market shifts with a broad need to find back-office cost savings in the delivery of financial advice while also continuing to further improve the client experience as they receive advice. Assets that support administration, the provision of advice and client communications will be more affordable under the measures introduced.”

Mr Fox also said the AFA believes measures impacting high income earners and those with large superannuation savings are well targeted given the deficit position being managed by the Government.

“The pressure to deal with our ageing population and enable people to retire with dignity and be financially independent is increasing,” he said. “A very small number of Australians will lose superannuation taxation benefits as a result of this Budget and the limits that have been set are appropriate for the introduction of changes of this nature. Thousands more Australians on lower incomes will benefit from targeted superannuation contribution and tax-relief initiatives.”

However, Mr Fox said the AFA is disappointed with a number of other superannuation changes such as reducing the amount of money people can add to their superannuation accounts each year at the 15 per cent concessional tax rate. “The removal of anti-detriment payments will also have a profound effect for spouses who lose a loved one, particularly of working age,” he said.

Changes to Transition to Retirement Pensions will also require a considerable number of Australians to reconsider the value of this strategy alongside partial retirement.

“What is very clear is that Generation X, Baby Boomers and existing retirees will need to take a careful look at their position to understand and interpret what the changes will mean for them both today and for the long term,” Mr Fox said. “The interplay between these measures means that most Australians will need to seek financial advice to make the best use of the various measures.”

Mr Fox said that once again the Budget underscores the need for consumers to seek financial advice. “Australians with a financial adviser have a significant advantage over those who don’t because advisers can provide much needed guidance and practical help to cope with the announced changes,” he said. “We expect financial advice clients will be talking with their advisers as a matter of priority, in order to understand what this Budget will mean for them in real terms and what they can do about it.”

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## **About the AFA**

The Association of Financial Advisers Limited (AFA) has been the authentic voice on the value of financial advice for over 65 years. Today, the AFA is a vibrant, innovative association, where the underlying driver of policy is the belief that great advice transforms lives. To this end the AFA is striving to achieve the vision of Great Advice for More Australians. The AFA's ongoing relevance as a professional association is derived from our success in engaging with the major stakeholders in financial advice including advisers, consumers, licensees, product and service providers, and the regulator and government. Culturally we believe in the value of collaboration to create powerful outcomes and this drives how we achieve influence and work towards our vision.