

# Changes to the Government Co-contribution

In the 2009 Federal Budget, the Government announced a temporary reduction in the matching rate and maximum contribution for the super co-contribution. This reduction came into effect from 1 July 2009.

Additionally, up until now, voluntary salary sacrifice contributions have not been included in income when determining eligibility for such payments. From 1 July 2009, based on legislation passed after the 2008 Federal Budget, they will be included.

## What is the super co-contribution?

The super co-contribution is designed to boost Australians' retirement savings. If you fall within a particular income range, and make additional, after-tax contributions (which are also known as non-concessional contributions), to your super, the Government will match those contributions up to a certain limit.

The way it works in the current financial year is that for every after-tax dollar a person contributes to their super, the Government will contribute \$1.00, up to a limit based on the person's total income (and subject to a maximum of \$1,000). This means that, in order to receive the maximum co-contribution, a person must make a personal after-tax contribution of \$1,000 to a complying super fund.

However, the co-contribution is means-tested so that only if you have a total income of \$31,920 or less per year and you make a personal after-tax contribution of \$1,000, will you be eligible to receive the maximum co-contribution of \$1,000. After that, the maximum co-contribution is phased out at 3.333 cents for every dollar earned above \$31,920 so that if you have a total income of \$61,920, you are no longer eligible for the co-contribution.

Until 30 June 2009, your total income included your assessable income (from your tax return) and reportable fringe benefits (which your employer reports on your Payment Summary). So if you had more than \$30,342 (the 2008/2009 limit to qualify for the maximum co-contribution) of total income, you could make salary sacrifice contributions to superannuation to reduce your total income. This then could enable you to qualify for the co-contribution, or to improve on the co-contribution you were already eligible to receive.

## How did things change from 1 July 2009?

From 1 July 2009, voluntary salary sacrifice contributions are included as part of your total income when assessing your eligibility for the co-contribution.

## Work out what this means for you

Adding salary sacrifice into the total income calculation means that some people will receive a smaller co-contribution and some people will no longer be eligible to receive the co-contribution at all.

If you will no longer be eligible for the co-contribution under these changes, you may want to consider how to boost your retirement savings without this type of financial assistance from the Government. A financial adviser is well placed to determine the best outcome for you given your personal circumstances and in light of other changes that came into effect on 1 July 2009.

Let's look at Gary's situation before and after 1 July 2009. Gary only has income from his employment so doesn't have any reportable fringe benefits.

	2008/2009 FINANCIAL YEAR	2009/2010 FINANCIAL YEAR
Salary	\$65,000	\$65,000
Salary sacrifice	\$35,000	\$35,000
Assessable income	\$30,000	\$30,000
Total income	\$30,000	\$65,000
Personal contribution	\$ 1,000	\$ 1,000
Co-contribution	\$ 1,500	\$ 0

As the salary sacrifice amount will be included in his total income, Gary will not be eligible for the co-contribution after 1 July 2009. This occurs regardless of the value of his after-tax contributions to his super because he has exceeded the maximum income at which the co-contribution cuts out.

The Government has also announced a change in the rate of the Government's co-contribution payments to apply from 1 July 2009. The rate of co-contribution over the next few years, expressed as a percentage of the member's contribution, will be:

- 100 per cent for 2009–10, 2010–11 and 2011–12, with a maximum co-contribution of \$1,000. The co-contribution will be reduced by 3.333 cents for each dollar by which the person's total income exceeds the shade-out threshold for receiving the full co-contribution;
- 125 per cent for 2012–13 and 2013–14, with a maximum co-contribution of \$1,250. The co-contribution will be reduced by 4.167 cents for each dollar of total income above the shade-out threshold; and
- 150 per cent from 2014–15 onwards, with a maximum co-contribution of \$1,500. The co-contribution will be reduced by 5 cents for each dollar of total income above the shade-out threshold.

### Do you need more information?

Phone our Customer Service team on 1300 133 177, Monday to Friday, between 8 am and 6 pm (EST). You can also refer to our Easy Money fact sheet or to the Product Disclosure Statements (PDSs), on our website.

#### Important information

This information is general information only. Any recommendations, statements of opinion or financial advice have been prepared without taking account of your personal circumstances, investment objectives, financial situation and needs. You should read the relevant Product Disclosure Statement and assess your own situation before you make a financial decision based on this information. You may wish to seek professional advice when doing this.

## Further information

NGS Super has representatives who can provide you with general advice and explain the options available through NGS Super.

**NSW/ACT** call Dee Duke  
or Jorjet Issavi  
on 02 9273 7900

**SA/NT** call Elaine Facchino  
or John Pedersen  
on 08 8418 2400

**Vic/Tas** call Laurie Buchanan  
on 03 9811 0502

NGS Super members are entitled to one hour of free financial planning advice per year as part of their membership. To take advantage of this free financial planning service, please contact the number below in the state you wish to attend. Members can also receive additional financial planning advice on a fee-for-service basis.

**All states** Mercer Wealth Solutions  
1300 883 318

**SA** Industry Fund Financial Planning  
(IFFP)  
1300 138 848

## Contact us

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