



<http://www.northstarfinancialadvisers.com.au>

## Northstar Update

### 2014 Federal Budget summary

14 May 2014

**In one of the more highly anticipated Federal Budgets, the Government announced major changes that could warrant a review of your financial plans.**

Note: These changes are proposals only and may or may not be made law.

- A Temporary Budget Repair Levy of 2% will be payable on taxable incomes over \$180,000 p.a. for the next three financial years.
- Changes to HELP debts will increase the amount payable, and payments may need to be made at lower income levels.
- The Dependent Spouse and Mature Age Worker Tax Offsets will be abolished from 1 July 2014.
- People who make non-concessional (after-tax personal) super contributions from 1 July 2013 that exceed the cap will have the option to withdraw the excess amount plus earnings on the excess.
- The timeframe for increasing the Superannuation Guarantee contribution rate to 12% will be amended.
- The Age Pension age will gradually increase to 70.
- A range of changes to Family Tax Benefit – Part A and B will reduce the

number of people who are eligible and, for some, lower the entitlements.

- The Commonwealth Seniors Health Card thresholds will be indexed from 20 September 2014 and the definition of income will be expanded.

## Personal taxation

### Temporary levy for higher earners

Date of effect: 1 July 2014

A Temporary Budget Repair Levy of 2% will be payable on taxable incomes over \$180,000 pa for the next three financial years. This levy will effectively increase the top marginal tax rate to 49%, including the Medicare levy. From 1 July 2017, the top marginal rate will be 47%, including the Medicare levy.

### HELP debt changes

Date of effect: 1 June 2016 and 1 July 2016

HELP debts will accrue interest at the 10 year Government bond rate from 1 June 2016, subject to a maximum rate of 6%. Currently, HELP debts are indexed to the Consumer Price Index. In addition, from 1 July 2016, HELP debts will start to be repayable from a lower income level.

### Tax offsets to be abolished

Date of effect: 1 July 2014

The Dependent Spouse and Mature Age Worker Tax Offsets are currently being phased out. The phase out will cease and the 2013/14 tax year will be the last year in which these offsets will be available.

## Superannuation

### Excess non-concessional contribution withdrawals

Date of effect: 1 July 2014

Individuals who make contributions exceeding their non-concessional contribution cap from 1 July 2013 will have the option to withdraw the excess amount, plus earnings on the excess.

No tax will be payable on the excess amount withdrawn. However, withdrawn earnings will be taxed at the individual's marginal tax rate. If no election is made to withdraw the excess contributions, the excess will be taxed under the existing regime at the top marginal tax rate.

## Revised SG rate increase

Date of effect: 1 July 2014

While the Superannuation Guarantee (SG) rate will still increase to 12%, the schedule for this increase will be amended.

The Government confirmed that the legislated increase to 9.5% will take effect on 1 July 2014. It is proposed that the rate will remain at 9.5% for four years and from 1 July 2018, it will increase by 0.5% pa, before reaching 12% on 1 July 2022.

## Social Security

### Increase in Age Pension age to 70

Date of effect: 1 July 2014

The Age Pension age will increase to 67.5 from 1 July 2025. It will then continue to rise by six months every two years, until the pension age reaches 70 by 1 July 2035. People born before 1 July 1958 will not be affected by this change. Currently, the Age Pension age is due to increase from 65 starting on 1 July 2017, and gradually reach 67 by 1 July 2023.

Age Pension eligibility age by birth date	
People born between	Eligible for Age Pension at age
1 July 1952 and 31 December 1953	65.5
1 January 1954 and 30 June 1955	66
1 July 1955 and 31 December 1956	66.5
1 January 1957 and 30 June 1958	67
1 July 1958 and 31 December 1959	67.5
1 January 1960 and 30 June 1961	68
1 July 1961 and 31 December 1962	68.5
1 January 1963 and 30 June 1964	69
1 July 1964 and 31 December 1965	69.5
1 January 1966 and later	70

### Increasing cost of medical care

Date of effect: 1 July 2015

A patient contribution of \$7 may be charged from 1 July 2015, for:

- general practitioner consultations, and
- out-of-hospital pathology and diagnostic imaging services.

Holders of concessions cards and children under 16 years of age can only be charged for the first 10 visits in a year. Visits beyond the first 10 will require no

patient contribution.

### **Family Tax Benefit changes**

Date of effect: various

A number of amendments have been announced in relation to eligibility and payment rates for the Family Tax Benefit (FTB), and associated supplements and allowances.

#### Payment rates

From 1 July 2014, the maximum and base rates of the FTB Part A and B will be frozen until 1 July 2016.

The FTB Part A and B end of year supplements will be reduced from 1 July 2015.

The supplements will reduce from:

- \$726.35 to \$600 for FTB Part A, and
- \$354.05 to \$300 for FTB Part B

#### Eligibility thresholds

The FTB Part A per child add-on, which currently increases the higher income free threshold for each additional child, will be removed from 1 July 2015.

Under existing arrangements, a family may qualify for FTB Part B if the primary income earner has income up to \$150,000 pa. This will be reduced to \$100,000 pa from 1 July 2015.

#### Eligibility FTB Part B

From 1 July 2015, payment of FTB Part B will be limited to families whose youngest child is under the age of six. Families already in receipt of FTB Part B, whose youngest child is aged six or over on 30 June 2015 will remain eligible for FTB Part B under the transitional measures for two years.

#### Other changes

From 1 July 2015, a new Family Tax Benefit Allowance will be made available to single parents receiving the maximum rate of FTB Part A, whose youngest child is aged 6 to 12. This will apply from the time they become ineligible for FTB Part B. An additional payment of \$750 will be paid for each child aged 6 to 12.

### **Commonwealth Seniors Health Card indexation**

Date of effect: 20 September 2014

The income thresholds for eligibility for the Commonwealth Seniors Health Card (CSHC) will be indexed from 20 September 2014 to the Consumer Price Index. Indexation may allow additional people to become eligible for this card.

### **Commonwealth Seniors Health Card income definition**

Date of effect: 1 January 2015

The definition of income for the CSHC will be expanded. From 1 January 2015, the

income from superannuation pensions will be assessed using pre-determined rates not the actual income earned. Income from these pensions is currently not included in the definition of income. Grandfathering rules will apply to those already holding the CSHC.

### **Cessation of the Seniors Supplement**

Date of effect: 20 September 2014

From 20 September 2014, the Seniors Supplement will no longer be payable to holders of the CSHC. However, holders of the card will still receive the Clean Energy Supplement.

The current annual rates of Seniors and Clean Energy supplements are:

<b>Payment</b>	<b>Single</b>	<b>Couple (each)</b>
Seniors Supplement	\$876.30	\$660.40
Clean Energy Supplement	\$361.40	\$273.00

## **Northstar Model Portfolios**

In the month of April all Northstar model portfolios had positive returns. With most commentators believing the equity markets are expensive a number of managers are positioned for a correction (a fall of at least 10%) as there hasn't been one for almost 3 years in the Australian or US Markets.

With that in mind we went back to the last correction period in the ASX to see how the balanced portfolio would have performed. In the six month period 1st April to 30 September 2011, the ASX total return index fell around 15% and the Morningstar Multi-sector Balanced Index fell approximately 5%; meanwhile the Northstar Balanced portfolio would have delivered a return of +.59%, whilst it's not a huge return it is still better than a loss.

Whilst past performance is not a reliable indicator of future performance it does help us build portfolios with better diversification by understanding how some investments may behave relative to other investments such as shares.



### \$10,000 invested

The chart above shows the outcome if you had invested \$10,000 in each of the strategies shown over the last 7.5 years (to Feb 2014)

Returns for all model portfolios as at 30 April 2014

	6.4 Years	3 Years	2 Years	1 Year	6 months	1 month
<b>Australian Shares (Total Return index)</b>	1.78%	9.29%	16.91%	10.46%	3.35%	1.77%
<b>Cash (RBA Cash rate returns)</b>	4.27%	3.53%	2.98%	2.61%	1.25%	0.21%
<b>Northstar Conservative</b>	6.17%	5.32%	5.97%	4.62%	2.17%	0.34%
<b>Northstar Moderate</b>	6.76%	5.81%	6.60%	4.85%	2.30%	0.50%
<b>Northstar Balanced</b>	7.60%	6.58%	7.75%	5.45%	2.57%	0.75%
<b>Northstar Moderate Growth</b>	9.02%	7.99%	10.10%	6.68%	2.65%	0.73%
<b>Northstar Growth</b>	10.32%	7.86%	10.33%	4.83%	2.30%	1.16%
<b>Northstar High Growth</b>	10.84%	8.02%	10.88%	4.46%	2.22%	1.29%

The returns above are based on the hypothetical portfolio being in place since November 2007, past returns may not be a reliable indicator of future returns.

### Northstar Model Portfolios

The table above shows the returns for all Northstar Model Portfolios over 7.5 years, compared with Cash and the ASX 200 total return index.

*As always, if you would like to discuss any of the issues in this article or if you have any questions about your investment or insurance portfolio, please get in touch*

[info@northstarfinancialadvisers.com.au](mailto:info@northstarfinancialadvisers.com.au)  
+61 2 99050395



The Federal Budget Analysis was prepared by GWMAS trading as MLC Technical. The information contained in this MLC Technical is current as at 13 May 2014 and is prepared by GWM Adviser Services Limited ABN 96 002 071749 trading as MLC Technical, registered office 150-153 Miller Street North Sydney NSW 2060. This company is a member of the National group of companies. |

Any advice in this Federal Budget Analysis has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on any advice, consider whether it is appropriate to your objectives, financial situation and needs.

Past performance is not a reliable indicator of future performance.

Before acquiring a financial product, you should obtain a Product Disclosure Statement (PDS) relating to that product and consider the contents of the PDS before making a decision about whether to acquire the product.

GWM Adviser Services Limited is not a registered tax agent. If you wish to rely on this to determine your personal tax obligations you should seek advice from a Registered Tax Agent



Northstar Financial Advisers Pty Ltd is the holder of Australian Financial Services Licence 313618. This information does not take into consideration your needs or objectives.

Returns are not guaranteed and past performance is not a reliable indicator of future performance. The comparison chart returns are based on the theoretical portfolio, individual portfolios may differ in composition and returns.

*Copyright © 2014 Northstar Financial Advisers Pty Ltd, All rights reserved.*  
Northstar Financial Advisers Pty Ltd

**Our mailing address is:**  
Northstar Financial Advisers Pty Ltd  
Suite 1, 1-3 Moore Rd  
PO Box 823, Freshwater NSW 2086  
Freshwater, Nsw 2086  
Australia

[Add us to your address book](#)  
[unsubscribe from this list](#)

MailChimp