Federal Budget Analysis 2021

The Treasurer has delivered a second "pandemic" Budget that focuses on key spending measures to drive Australia's economic recovery. The Budget position has improved dramatically from the forecasts delivered in October 2020. The deficit for 2020-21 is now expected to be $161 billion, down from $213.7 billion. This reduction is largely due to a much stronger rebound in employment than was expected at the height of the shutdowns last year. Revenue has also received a boost from higher than expected resource prices, including iron ore.

This Budget's focus is firmly on getting Australia through the pandemic and promoting economic growth and employment. Recent remarks from the Treasurer have made clear that there are still downside risks to the economy, and he expects the Government to continue providing a significant amount of support. The Budget does this through new spending on priorities like aged care, childcare, and building the digital economy, as well as tax relief for businesses and low income earners.

Temporary reduction to minimum allocated pension payments to end

The Federal Government as part of their Covid-19 response allowed Australians to reduce their annual income payments required to be drawn from allocated pensions by 50%.

Allocated pension providers calculate the minimum annual payment required on 1st July each year, based on the account balance of the member at that time. The 50% reduction will no longer apply to this calculated minimum annual payment for the next financial year. The table below sets out the age based percentage minimum amount required to be withdrawn for next financial year.

Those members who reduced their allocated pension payments in this financial year, will see their allocated pension payments increase from July 2021 as outlined below. Please note, this will happen automatically, there is no action required.

Age	Normal Minimum % withdrawal	Reduced rates by 50% for 2021
Under 65	4%	2%
65–74	5%	2.50%
75–79	6%	3%
80–84	7%	3.50%
85–89	9%	4.50%
90–94	11%	5.50%
95 or more	14%	7%

Please note these withdrawal factors are indicative only and can contain pro-rating, rounding available in the Superannuation Industry (Supervision) Regulations 1994.

Reducing the eligibility age for downsizer contributions to 60

The Government has announced it intends to reduce the eligibility age to make a downsizer contribution from 65 to 60 years of age. The downsizer contribution allows people to make a one-off after-tax contribution to super of up to $300,000 from the proceeds of selling their home, they have held for at least 10 years. Under the rules, both members of a couple can make downsizer contributions for the same home and the contributions do not count towards a member's non-concessional contribution cap.

Repealing the work test for people aged 67 to 74

The Government has announced it will allow individuals aged 67 to 74 to make or receive non-concessional contributions without meeting the work test, subject to existing contribution caps.

However, individuals aged 67 to 74 years wanting to make personal deductible contributions will still have to meet the existing work test.

Remove minimum $450 per month superannuation threshold

The Government will remove the $450 per month minimum income threshold under which employees do not have to be paid the superannuation guarantee from 1 July 2022. The measure is expected to boost the superannuation savings of lower income Australians, 63 per cent of whom are women, however this could also lead to a reduction in take home pay depending on the employer.

Age Pension Loan Scheme

The Government has announced that they will be increasing the flexibility of the Pension Loans Scheme (PLS) by allowing participants to access up to two lump sum advances in any 12 month period up to a total value of 50% of the maximum annual rate of the aged pension.

Based on current Age Pension rates, the total PLS is around $12,385 per year for singles, while couples combined could receive around $18,670. The Government will also introduce a No Negative Equity Guarantee meaning that the Government will not claim back more than the sale price of the house used to guarantee the payment when it is sold. The Government will also spend $21 million on raising awareness of the scheme.

Aged care

In response to the Royal Commission into Aged Care Quality and Safety, the Government is investing $17.7 billion over five years into improving the aged care system including:

- $6.5 billion for 80,000 additional Home Care Packages over the next two years
- $798.3 million for to provide greater access to respite care services and payments to support carers
- $7.8 billion for a new funding model for residential aged care, with a $10 per person per day supplement of the Basic Daily Fee
- $189.3 million over four years from 2020-21 to implement the new funding model, the Australian National Aged Care Classification
- $117.3 million to support structural reforms, including the implementation of a new Refundable Accommodation Deposit Support Loan Program.

Acquisition of MLC

In August 2020, IOOF announced their plan to acquire fund manager MLC.
Together, MLC and IOOF will form Australia's leading wealth manager looking after more than 2.2 million Australians. Completion of the transaction has now received regulatory approval from the Australian Prudential Regulation Authority. We don't anticipate any changes to MLC other than having a new owner. MLC branding and investment managers should remain unchanged.

Any questions?

We hope you have found this useful. We will continue to keep you informed as to whether these proposed Budget changes are actually adopted. If you have any questions or wish to discuss anything please call us on 03 9544 1004.

All the best,

Andrew Shaw BBus, Grad Dip SIA, CFP
Principal Shaw Financial Planning Pty Ltd
ACN 603 130 963, ABN 80603130963
Authorised Representatives

Suite 30, 1 Ricketts Road Mount Waverley VIC 3149
T 03 9544 1004

SHAW FINANCIAL PLANNING PTY LTD

CFP THE SIGN OF GOOD ADVICE CERTIFIED FINANCIAL PLANNER®