

GOVERNMENT BOOSTS SUPERANNUATION

By Joe de Bruyn

The Rudd Government has provided a big boost to retirement benefits by proposing a boost to employer contributions from 9% to 12 % of workers' earnings.

This announcement was made in early May following a major review of Australia's Taxation system.

At present, an employer must pay a superannuation contribution of 9% of ordinary time earnings for each eligible employee.

This superannuation payment is made into an appropriate superannuation fund – this is the Retail Employees Superannuation Trust (or REST) for most SDA members.

The Government wants to change the law to increase the superannuation entitlement gradually to 12% of ordinary time earnings.

The proposed increase to superannuation payments to be made by employers is shown in the table below: -

Time	Proportion of Ordinary Time Earnings
Now	9.0%
1 July, 2013	9.25%
1 July, 2014	9.50%
1 July, 2015	10.0%
1 July, 2016	10.5%
1 July, 2017	11.0%
1 July, 2018	11.5%
1 July, 2019	12.0%

\$500 Boost for Low Incomes

In a further boost for superannuation, the Government proposes to contribute \$500 each year to the superannuation accounts of workers on taxable incomes up to \$37,000 per year.

The new benefit will commence from 1 July, 2012.

It applies in addition to the superannuation co-contribution where the Government matches an eligible worker's contribution to super, dollar for dollar, up to \$1,000 each year.

The \$500 payment will be made by the Government to the superannuation account of an eligible worker after the worker submits his tax return each year.

Boosting Retirement Incomes

There will in future be 3 major benefits to increase retirement incomes for low income workers: -

- The employer contribution rising from 9% to 12%.
- The \$500 Government payment for workers earning up to \$37,000 per annum; and
- The existing Co-Contribution Scheme worth up to \$1,000 from the Government for eligible workers.

Why is the Government doing all this ?

The answer is that Australia has an ageing population.

More and more people are entering retirement and living longer, while the low birth rate means that fewer people are entering the workforce.

This means the burden of the aged pension will grow while the proportion of workers paying taxes will fall.

Therefore, we need to make alternative arrangements for our retirement – and superannuation is the logical answer.

In the future, the average worker in retirement will be able to draw on the aged pension and supplement this with his/her superannuation benefit.

It should mean a higher living standard in retirement.