

**TASMANIAN ASSOCIATION OF STATE
SUPERANNUANTS
SUPER-NEWS**

ISN.5605 May 2008 No 2/08

The Newsletter for and by TASS members

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INDEX FOR THIS ISSUE

Page 1 Editorial
Page 2 Meetings
Page 3 C.P.I
Page 4 cont.
Page 5 Bits & Pieces
Page 6 Tax & Better Super
Page 7 cont.
Page 8 cont.
Page 9 Centrelink
Page 10 Letter to Editor
Page 11 Just an Idea
Page 12 Useful contacts

EDITORIAL

This issue precedes our annual meeting in the North of the State. In the hope of repeating the wonderful attendance at the very successful Northern Christmas Luncheon, we are having lunch before this meeting. The venue the Riverside Hotel Motel, West Tamar Highway. Southern members would of course also be welcome.

Our Annual General Meeting in Hobart was successful in that our guest speaker was able to impart much information to us on how the CPI is calculated. More details later in this issue. Our aging executive was re-elected and Tony Robinson is now our new Vice President. Mal. Jones will be able to now devote more time to Web site matters. There is a real need if TASS is to continue, for younger superannuants to offer themselves to serve on the executive. Please approach any younger superannuant that you feel may be interested in joining us on the executive.

**NORTHERN GENERAL MEETING and LUNCHEON
At
Riverside Hotel/Motel 407 West Tamar Highway
Tuesday 20th May Starting at 12 noon**

FUTURE MEETINGS



**Northern General Meeting
Tuesday 20th May
Riverside Hotel/Motel
407 West Tamar Highway
Starting at Mid Day**

Please note the short meeting will be preceded by a meal at this very pleasant venue. Although this meeting is primarily for members from the North of the State we would be pleased to see any member at this function. Please note this Hotel/Motel is not the one close to Trevallyn Power Station. It is further down the West Tamar.

Executive Meetings

17th June

15th July

Both at Forestry Tasmania,
Bathurst St. starting at 1.30pm.

R.B.F. and (Simpler Super) Better Super

Over the last few issues of Super-News we have attempted to explain the operation of 'Better Super' and the effect on taxation. While we feel that the previous information given was useful, more questions are still being raised by our members. President Rob. made contact with RBF to request a further meeting with the TASS executive to improve our understanding. A meeting was arranged and two Senior Staff, Phil

Claxton and Matthew Morgan met with the executive. We now have copies of all the equations used to calculate a member's position. The process is more complex than we had previously thought and a large number of parameters need to be taken into account in each case. When asked what means the average member had of verifying the RBF calculation, it seems that very few members would have sufficient data of their own to perform this task, presuming that they had the ability to do so. We were assured the calculation method was checked by two external independent parties. However, if any member has any doubts on the accuracy of the data used in their calculation a review could be requested. Mention was made that some months after the start of 'Better Super' (1 July 2007) most RBF superannuants received an increase in after tax super. Although there was no real explanation of how the amount was determined, as it was more money, few complained. At the meeting RBF were asked by the executive to forward some advice to members explaining in general terms 'what was the methodology for the change.'

More recently we have been asked how the Tax changes to Super would affect Centrelink entitlements. This was also raised and on the following pages is our understanding at this stage. Part of this comes from a previous meeting with Centrelink and part from the meeting with RBF. We must point out that the meeting with RBF took place only a few days before the deadline for the printing of this Super-News so any interpretation on our part has been made over a very short period and could include errors. The following information relates specifically to the contributory scheme to which nearly all our members belong and not the accumulation scheme that has existed for new members since 1999.

CONSUMER PRICE INDEX (CPI)

As mentioned in the March Super-News at our AGM we were addressed by Merry Branson who is Director, Consumer Price Index in Canberra. It was pleasing to see a good attendance including two of our staunch members who came down from Launceston. As we expected, the talk was well planned and included a lot of useful information. I think it is fair to say that everybody who came left the meeting much better informed on the topic than when they arrived.

After the talk I asked if I could get a copy of some of the information to include in Super-News. By email, Merry generously forwarded copies of all the power-point slides together with other supporting papers.

During the delivery Merry mentioned that it was a Consumer Price Index and as such, totally inappropriate as a measure to be used to inflate pensions. Using CPI as the method of indexation was equivalent to saying that a superannuant's standard of living will be fixed at that which applied on the day that person retired. That is, as the standard of living in Australia improves, those with Pensions indexed by CPI will miss out on the improvement. As this is the argument that we and other organisations have been voicing for many years it was comforting to hear the same sentiments expressed from The Australian Bureau of Statistics, if not by politicians.

Below are two of the tables used in the presentation. The CPI is calculated quite meticulously and the tables indicate the expenditure patterns of various groups within Australia. One table is in Dollars while the second is shown as a percentage of the total for that group.

AVERAGE WEEKLY EXPENDITURE PER HOUSEHOLD (\$)

Commodity group	Employee	Age pensioner	Other government	Self-funded retiree
Food	183.32	88.74	104.78	130.35
Alcohol and tobacco	88.87	30.15	55.31	58.70
Clothing and footwear	48.49	21.45	26.69	31.02
Housing	128.07	70.81	106.21	82.64
Household contents and services	113.22	47.54	57.72	97.48
Health	53.03	30.84	17.69	67.73
Transportation	164.52	48.04	60.33	113.92
Communication	40.30	15.80	24.73	23.56
Recreation	142.22	47.50	56.10	130.41
Education	32.84	0.65	10.14	4.96
Financial and insurance services(b)	123.97	19.83	32.86	35.98
Total	1118.84	421.36	552.56	776.75

We are included in the final column, 'Self Funded retiree'. This group has a weekly expenditure of \$776, that is after tax. While this may be the average for group

overall, I feel that it would far exceed a typical weekly expenditure for most of our members.

This next table shows the same information but expressed as a percentage

AVERAGE OF TOTAL EXPENDITURE (%)

Commodity group	Employee	Age pensioner	Other government	Self-funded retiree
Food	16.38	21.06	18.96	16.78
Alcohol and tobacco	7.94	7.16	10.01	7.56
Clothing and footwear	4.33	5.09	4.83	3.99
Housing	11.45	16.81	19.22	10.64
Household contents and services	10.12	11.28	10.45	12.55
Health	4.74	7.32	3.20	8.72
Transportation	14.70	11.40	10.92	14.67
Communication	3.60	3.75	4.47	3.03
Recreation	12.71	11.27	10.15	16.79
Education	2.94	0.15	1.84	0.64
Financial and insurance services(b)	11.08	4.71	5.95	4.63
Total	100.00	100.00	100.00	100.00

The information in both tables was taken from 2005. It is interesting to note that when shown as a percentage the various groups are similar. It is no surprise that for the elderly education and Financial Services are lower while health costs are higher.

In summary a most interesting talk on a relevant topic that was very well received by those present. *Ed*

On a lighter Vein

- Borrow money from pessimists -- they don't expect it back.
- Half the people you know are below average.
- 99% of lawyers give the rest a bad name.
- 82.7% of all statistics are made up on the spot.
- A conscience is what hurts when all your other parts feel so good.
- A clear conscience is usually the sign of a bad memory.
- If you want the rainbow, you got to put up with the rain.
- The early bird may get the worm, but the second mouse gets the cheese.

YOUR CONCERNS

HEALTH

THE MARCH A G M

The expert on your health and the main person looking after it is YOU.

Did you arrange to have your INFLUENZA & PNEUMONIA shots? There is a big difference between the common cold and the 'flu that is deadly for some people who already have some of the many health problems that we can expect to have by the time you reach our age.

We are fortunate now in having support organisations that can help sufferers of most of the major health issues that we have. If you have a problem then the best thing to do is to monitor it and have a professional look at it and advise you of the likely problems associated with it. I know this is old advice but there are examples to be found every day of people who have a problem but do not appear to be having any treatment for it.

Perhaps we should re-issue the health warnings from previous issues, there are new members that we need to send the old message to.

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MOVING? MOVED?

Every time we send out an issue of Super/News there are some returned as the addressee has moved. Please remember that the RBF need to be notified of your move so that they can contact you. But **TASS** also needs to be told; as we operate quite separately. If you have someone managing your affairs and/or correspondence please tell them.

Some members are not sure about their TASS membership number, it is on your membership card. Your RBF number is controlled by the RBF and TASS (quite rightly) does not have access to it.

Several members have paid their subscription twice for 2008; the second payment has been credited for 2009, and not lost. In November when the next application for renewal are sent, you will receive your 2009 card.

At the A G M we were fortunate to have an excellent speaker who was able to explain (simply) some of the apparent odd bits of the magic C P I; as our pension changes are dependent upon these magic letters we should be able to understand something of the way it operates. No doubt there will be an article about it in this newsletter, please read it.

Basically the same people were re-elected to fill the Executive, even the vacancy was refilled by the same person. We must have some new members to ensure that TASS continues as the representative organisation for about 7 000 who receive an RBF pension. If you have any interest then come to one of our meetings as an observer and then decide. Although at present most of the Executive members live in the Greater Hobart area; we would welcome someone from further away from participating, particularly if you could increase the number of women we have at present.

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TAXATION CHANGES

Now that the change in government has occurred, we will need to look closely at the budget. Having made so many promises, and after being warned of a budget that will cut money from many of the areas that may or may not be appropriate, the message is to once again check. Centrelink have, in my experience, been very helpful and hopefully will continue to be.

But if the rules change, then each of us needs to review their position as far as entitlements are concerned. Some years ago when we asked members to indicate if they were receiving some pension, about 40% replied that they were receiving some. There is no reason to assume that much has changed. The only way to be sure in your case is to check.

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Perhaps being old is like having a lighted room Inside your head, and people in them acting People you know, yet can't quite name.

Philip Larkin, 1974

TAX TREATMENT OF THE CONTRIBUTORY SCHEME LIFE PENSION

This information is of a general nature only and is designed to explain key concepts.

Superannuation benefits have 2 components

1. **Tax free component.**
 - (a) Always tax free and not included in assessable income.
2. **Taxable component.**
 - This component is further divided into
 - (a) Element taxed in the fund (taxed element).
 - The taxed element represents contributions and their investment returns that have been included in the taxable income of the fund
 - (b) Element untaxed in the fund (untaxed element).
 - The untaxed element represents that part of the superannuation benefit that is attributable to employer contributions required to fund the Contributory Scheme pension and lump sum benefits.

RBF Contributory Scheme pensions are treated for taxation purposes as 2 separate superannuation interests as follows:

1. A funded pension interest comprises the fund and the member's share of the pension. This interest will contain a taxed element and, where applicable, a tax-free component.
2. An unfunded pension interest representing the employer share of the member's Contributory Scheme pension. This interest will consist entirely of an untaxed element. The unfunded pension interest is funded on an emerging basis each fortnight by your former employer.

The percentage of your pension which is unfunded is determined by the Fund on the advice of the State Actuary. The percentage will vary according to your rate(s) of contribution to the Contributory to the Scheme and the date you first commenced your pension. For example, pensions that commenced after 30 June 1996 will have an untaxed percentage of 70% if the member always contributed to the Contributory Scheme at the rate of 5%. If you contributed to the Contributory Scheme at a higher contribution rate, the untaxed percentage is reduced to reflect your additional contributions.

Table 1 details the tax treatment of the components of a Contributory Scheme life pension

Component of superannuation income stream	Age of beneficiary	Tax treatment of component
Tax-free component	All	Tax-free

Element taxed in the fund	Less than preservation age	Marginal tax rates If disability benefit, eligible for 15% tax offset
	Between preservation age and 59	Marginal tax rates Eligible for 15% tax offset
	60 and over	Tax-free
Element untaxed in the fund	Less than 60	Marginal tax rates
	60 and over	Marginal tax rates Eligible for 10% tax offset

Table 2 details the tax treatment of Contributory Scheme pensions paid to a dependant spouse or partner upon the death of current contributor to the Scheme or a pensioner (where there is a surviving spouse or partner).

Table 2 – Tax treatment of death benefit superannuation income streams from 1 July 2007		
Component of superannuation income stream	Age of beneficiary	Tax treatment of component
Tax-free component	All	Tax-free
Element taxed in the fund	If the deceased died aged under 60 and the dependant aged under 60	Marginal tax rates Benefit eligible for 15% tax offset
	If the deceased died aged 60 or more or the dependant age 60 or more	Tax-free
Element untaxed in the fund	If the deceased died aged under 60 and the dependant aged under 60	Marginal tax rates
	If the deceased died aged 60 or more or the dependant age 60 or more	Marginal tax rates Benefit eligible for 10% tax offset

Pensioners aged 60 or more as at 1 July 2007

If you were aged 60 or more throughout the 2007/2008 financial year only the untaxed proportion of your Contributory Scheme pension is assessable income for income tax purposes. This proportion automatically qualifies for the 10% tax offset which RBF has calculated and applied.

RBF will provide you and the ATO with a Payment Summary that contains the following details:

- PAYG tax withheld
- Untaxed element
- Tax offset

Pensioners aged less than 60

If you were less than 60 throughout the 2007/2008 financial year both the taxed element and untaxed element of your Contributory Scheme pension is assessable income for income tax purposes. RBF will provide you and the ATO with a Payment Summary that contains the following details:

- PAYG tax withheld
- Taxed element
- Untaxed element
- Tax free component
- Tax offset

If you turned 60 during the financial year and your pension commenced before your 60th birthday, RBF is required to report that proportion of your pension attributable to the tax-free component and taxed element of your pension that was paid during the financial year when you were less than 60.

Calculation of the tax-free component of your pension

The tax-free component represents that part of your pension that was attributable to your personal after tax undeducted contributions to the Contributory Scheme and modified where appropriate by the income tax changes that become effective on 1 July 2007. The following table provides a summary how the tax-free component is calculated.

Date pension commenced	Age of pensioner	Methodology used to calculate tax-free component of pension
Before 1/7/2007	> = 60 @ 30/6/2007	Recalculated tax-free component based on unused undeducted purchase price as at 30/06/2007
Before 1/7/2007	< 60 @ 30/6/2007	Original non-assessable amount, undeducted purchase price divided by life expectancy
Before 1/7/2007	Trigger event *	Recalculated tax-free component based on unused undeducted purchase price as date of trigger event
On or after 1/7/2007	All	Tax-free component equals tax-free% of funded superannuation interest as at date of retirement

- Trigger event includes turning 60, commutation and death

Once the tax-free component of your pension is calculated or recalculated as required it is converted into a percentage (%) of the funded pension interest. The tax-free component percentage remains fixed for the life of the pension.

Visit to Tony Elliot at Centrelink on 3 March 2008

- Over the next few months, RBF will be sending letters to superannuants advising the percentage of pension which is tax free.
- On seeing these letters, Centrelink will take this tax free amount off the superannuation pension when assessing the part age pension entitlement.
- A proportion of superannuants may be adversely affected by the change in method. In these cases, Centrelink will apply a “no disadvantage” ruling.

Information provided by Leigh Roberts of RBF ON 4 Feb. 2008

The two components of pension on which no tax is paid for pensioners over 60 are:

The tax free component.
The element taxed in the fund.

Only the first of these is sent to Centrelink.

For pensions commenced before 1 July 1994 the recalculated tax free component is equal to the unused undeducted purchase price.

For pensions after 1 July 1994 the tax free component is as above plus a pre July 1983 component of part of the pension.

Summary

For older superannuants, it looks as if their treatment by Centrelink will be much the same as before.

For those who retired after mid 1994, the treatment may be rather more generous.

Letter to the Editor

In its pursuit of improvements to the living standards of its superannuant members TASS has always been conscious of the need to consider the importance of good timing and there can be no better illustration of this point than that which occurred in the year or so just past, coinciding as it did with a federal election.

It is true to say that for a long time prior to the period under review the negative responses of politicians generally had been disheartening, especially so far as indexation of superannuation pensions is concerned.

Whilst there are still important unresolved issues outstanding, including indexation, the list of legislative changes which have either already benefited TASS members or have been promised by government is quite impressive.

Consider the following:-

1. There was a reduction in income tax last year
2. Following this was a significant tax reduction from 1 July 2007 for superannuants over 60, called "Better Super"
3. In addition pensioners, including superannuants, became eligible for a "utilities allowance" of \$100 per year
4. An increase in the "Seniors Concession Allowance" and also the "Utilities Allowance" to \$500 per year.
5. The raising of the assets limit for health care card eligibility.
6. A promise of further income tax cuts from July 2008.

Fortunately the CPI for the year ended 31 December 2007 also favoured RBF pensioners by being 3%; a little higher than usual. In summary therefore good gains were made in the period just past, and deservedly so. However, the timing of still outstanding issues being pursued needs to be considered in the light of prevailing circumstances, i.e. the political climate and the state of the economy.

In this regard it is pertinent to point out that on 5 February 2008 the Reserve Bank of Australia released a statement announcing its reasons for increasing the cash rate by 25 basis points to 7%. The "Financial Review" newspaper front page the following day commented that (the) 'RBA warns Economy must slow' and 'More pain to come' and 'Inflation still key threat'. [The cash rate was increased again in March]

Significantly the reaction of the Federal Government has been to declare that whilst it will honour its election promise to reduce income tax in July 2008, it will cut other spending this year.

Closer to home it was interesting to note that on 22 February the "Mercury" newspaper carried a small report headed "Super Ruling" which said in part "Federal Treasurer Wayne Swan has ruled out changes to the taxation treatment of Superannuation and said the government will improve the system When it can afford it [Our underlining]

Since reaction to any push for additional benefits at this time is predictable, it would surely be more prudent to wait until more favourable circumstances prevail.

Tony Robinson

Just an Idea

Most of us often ponder "What is the best way to help our grand-children who face the dilemma of one day buying a house of their own in these difficult times?" Do we just give them some cash when we can and encourage them to invest it wisely and develop the savings habit early? Unfortunately our good advice concerning the benefits of compound interest and having a reasonable deposit before buying or building a house is not always sufficiently comprehended by today's kids. The temptation to spend up on cars and other 'necessities' like overseas holidays is aided and abetted by the availability of easy credit by some lending institutions (with high interest charges) One new government initiative recently announced could be a practical way to assist grand-kids in the best possible way.

The scheme is called "First Home Saver Accounts" (FHSA) and applies to anyone 18 or over who is eligible for the first home buyers grant. They must simply open a special account with a participating bank or Superannuation Fund from 1 July 2008. An initial contribution of \$1,000 is required and a maximum of \$10,000 (indexed) can be deposited in a year. The proceeds can be invested in a multitude of asset classes just like any other super fund. Anyone can contribute to the account, e.g. Xmas or Birthday ideas. The best part is that the government makes up co-contributions up to a limit each year and earnings of the fund are taxed at 15%, rather than your marginal rate, and withdrawals are tax free.

As with Superannuation the funds are locked away for a minimum of four years and can only be used to purchase a first home, otherwise they will be rolled over into superannuation, in which case they can't be touched until retirement.

It sounds as if it could be a good start in life for some youngsters needing a little help.

Interested individuals should seek their own advice from a qualified advisor.

Tony Robinson

I thank Tony for his two letters to the editor. Please feel free to also submit a letter on any matter related to Superannuation and Retirement. Ed.

Higher Income Surcharge and RBF

We have been contacted by one of our members asking if any other of our members have recently received advice from RBF that they have an outstanding amount due for 'Higher Income Surcharge'. In this member's case the amount relates back 7 years and although he has only just been advised, the significant interest on the outstanding amount is also being claimed. This member will be taking up his case, but would like to know if others have also been contacted. Although this will not concern most of our membership, if you also are affected, please contact the editor who will put you in contact with the particular member.

USEFUL CONTACTS FOR MEMBERS

As a service to members TASS will include a regular section giving useful contact points (usually telephone numbers) which may be of value to members. If you are aware of a contact that could be of interest to other members which we have not included please advise the editor on 62601026.

RBF Pension queries or death of the superannuant	1800 622 631
Australian Tax Office	
Income Tax inquiries.....	132861
Superannuation help.....	131020
Tax Refund.....	132863
R.B.L. Help.....	132864
CENTRELINK	
To book an appointment at a regional office.....	131021
Pension enquiries.....	132300
Overseas Pensions.....	131673
Family enquiries.....	131305
Disability, sickness and carer.....	132717
Hearing or speech impairment.....	1800 000 587
Financial Services	
Burnie.....	6434 1535
Devonport.....	6424 0665
Launceston.....	6332 8298
Hobart.....	6232 1555
Bellerive.....	6244 0566
Better Hearing Australia (Hobart) Voluntary group.....	6228 0011

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PENSION LIMITS AS FROM March 2008

INCOME TESTS

Part pension is possible for a couple receiving less than \$2,530 per fortnight

Single receiving less than \$1,513 per fortnight

For a Pensioner couple separated by ill health, less than \$2,995 per fortnight

Commonwealth Seniors Health Card for a couple on less than \$80,000 per year

for single on less than \$50,000 per year

ASSETS TESTS (not including your home)

	For Full Pension	For Part Pension
a) For Home Owners		
Single Pensioners	Up to \$166,750	Less than \$535,250
Couples (Combined)	Up to \$236,500	Less than \$849,500
Couples Sep. due to ill health	Up to \$236,500	Less than \$973,500
b) For non-home owners		
Single Pensioners	Up to \$287,750	Less than \$656,250
Couples (Combined)	Up to \$357,500	Less than \$970,500
Couples Sep. due to ill health	Up to \$357,500	Less than \$1,094,500

Should you change your address would you please advise us of your new address. Some members believed that advising RBF of a change will also involve that information also coming to us. This is not so. RBF quite correctly keep their address data confidential and will not pass this information on to us. If we do not have your address we cannot send you Super-News.