



# Report says superannuation funds 'just won't cut it!'

Most Australians will fall seriously short of funding their own retirement, a report released last month by the Association of Superannuation Funds of Australia has found.

While super balances are growing, many Australians are way behind on their savings and average balances are still relatively low.

These are among the findings of the ASFA report, which was compiled using data from the Australian Bureau of Statistics 2003 – 04 Survey of Income and Housing.

Average superannuation balances were \$56,400 for men and \$23,900 for women in 2004, according to the ABS data.

Average retirement payouts were \$110,000 for men and \$37,000 for women in that year, the data showed.

ASFA estimates that average retirement payouts last year would have been about \$130,000 for men and \$45,000 for women based on projections using the ABS figures.

These balances are below the minimum level of retirement savings that a previous Westpac ASFA study established a home owner would need to fund a comfortable lifestyle in retirement.

That study found a single person would need \$35,668 a year to fund a comfortable retirement. To fund this annual income, retirement savings of more than \$260,000 would be needed for a single person to live in comfort assuming access to a full or part age pension.

To fund a modest standard of living in retirement, a single person would need \$18,375 a year, which requires more than \$100,000 as a lump sum plus access to the full age pension.

Of even greater concern, almost one quarter of the group surveyed reported having no super at all.

The recent changes to superannuation have already impacted on contribution levels with significant increases coming from individuals intending to retire over the next 10 years.

Increased levels of contributions and with benefits tax-free for those over age 60 all suggest an improvement in the retirement incomes of retirees.

The incentives to save for retirement through superannuation are compelling.



AVERAGE SUPERANNUATION BALANCE		
Age of Reference Person	Per Person	Per Household
25 – 34	\$13,700	\$26,638
35 – 44	\$28,136	\$49,069
45 – 54	\$54,822	\$93,760
55 – 59	\$75,221	\$132,793
60 – 64	\$73,150	\$124,102
All	\$40,050	\$71,568

# Small business CGT concessions

The Small Business Capital Gains Tax (CGT) Concessions are available to Australian taxpayers operating a small business. In cases where a taxpayer can access the concessions, the potential tax savings can be quite significant.

Before commencing buying or selling a business it is always advisable to contact your accountant to ensure your business is operating through the correct structure and will have access to these concessions.

Until recently, many taxpayers were unable to satisfy the eligibility requirement of the concessions.

A number of amendments have now been made which will increase the availability of the concessions.

There are 4 Small Business CGT Concessions that are available for eligible small business as follows:

- 1) The 15-year exemption
- 2) The retirement exemption
- 3) The active assets 50% reduction, and
- 4) The small business rollover

To access the above concessions, there are several tests that need to be passed under the changes.

Any business with an aggregated turnover of less than \$2 million will be able to access the concessions, subject to satisfying criteria not related to business size.



Some of the major changes to the tests that need to be passed to gain access to the concessions are as follows:

## 1) Maximum net asset value test:

- An entity with net assets valued at \$6 million or less (from 01.07.07) may be able to access the concessions.
- The net asset threshold was previously \$5 million.
- This test must also include connected entities. A connected entity is now able to have a negative net asset value for the purpose of the test. This was previously unavailable.

## 2) Controlling / Significant individual test:

- The 50% controlling individual test has been replaced with the new 20% significant individual test. This allows indirect holdings to be taken into account when determining the participation percentage.

## 3) Active asset test:

- The new rules require assets of the business to be active for the lesser of 7 ½ years or half of the period of ownership.

## 4) 15 year exemption test:

- There must be a significant individual for a period of 15 years which can now be at any period and need not be continuous.

## 5) Small business rollover test:

- The taxpayer now has a choice to rollover some or all of the capital gain. Previously, all of the capital gain had to be rolled over.

The above changes all apply from 1 July 2006, with exception to the Maximum net asset value increase to \$6 million, which applies from 1 July 2007.

There are many other changes not listed above. In summary the amendments operate to make it easier for taxpayers to satisfy the conditions and access the Small Business CGT Concessions.

Once again, please consult your accountant before buying or selling your business to ensure your business is structured correctly for future access to the concessions.

Please feel free to contact us for more information.

