

2022/23 Federal Budget

With an election imminent, this year's Federal Budget contained a range of funding announcements but no major changes in relation to super.

The Budget confirmed the Federal Government's ongoing commitment to the 12% Superannuation Guarantee, which is important to help our members continue to build their retirement savings. HESTA welcomed measures aimed at increasing women's workforce participation, but this Budget was a missed opportunity to improve women's long-term financial security.

Let's look at some of the key proposals that could affect your super and finances.

Right now these are proposals only and are yet to be made law.

Changes to super

Extension of the temporary reduction in superannuation minimum drawdown rates

For the third year in the row, the government has temporarily reduced minimum drawdown rates for income streams.

During the 2022-23 financial year, normal minimum rates will again be reduced by 50 per cent. This change gives income stream recipients the choice to preserve more capital while investment markets continue reacting to the pandemic and geopolitical instability.

The minimum drawdown requirements determine the minimum amount of an income stream that must be withdrawn from super each year. Given ongoing market volatility, this change will allow retirees to avoid selling assets to satisfy the minimum drawdown requirements.

Measures designed to ease cost of living pressures

Tax offset for low to middle income earners

Over 10 million Australians are set to benefit from an additional one-off \$420 cost of living tax offset for the 2021-22 tax year.

The cost of living tax offset will be applied by increasing the existing low and middle-income tax offset (LMITO) which applies to earners making up to \$126,000 a year. So if you already receive the LMITO, this increase will be added to your existing offset automatically.

Cost of living payment

The Federal Government will provide a one-off, tax-exempt payment of \$250 to eligible people including: pensioners, welfare recipients, veterans and concession card holders - to be paid automatically into their account. This one-off payment acknowledges the rapid price increases we've seen in almost all necessity items recently.

Cut to fuel excise

The fuel excise (the money the government takes each time you fill up your car) has been immediately halved to 22c/litre. This measure is in place for the next six months - although we imagine it will be difficult for the government to reinstate the 44c/litre excise in September.

Climate change

The government's spend on some of its key climate change agencies is set to decrease by 35 per cent over the next four years.

Budget documents show that funding will go from \$2 billion a year in 2021-22 to \$1.3 billion by 2025-26.

At HESTA we consider climate change to be one of the most significant threats to our economies, societies and environment.

We consider climate change risks in all of our investment decision making.

Measures targeted to aged care workers

While there were a range of training measures and an \$800 bonus for aged care workers announced in the Budget, we were disappointed more wasn't done to improve the long-term financial security of those in the sector.

Measures designed to improve women's workforce participation

This year's Budget contained measures aimed at addressing issues that impact women's health, safety and economic success.

Expanded paid parental leave scheme

Proposed to start on 1 July 2022, the government has expanded its existing Commonwealth Paid Parental Leave scheme to integrate the Dad and Partner Pay schemes.

The single scheme will apply equally to family units or single parents and provides 20 weeks of paid parental leave, giving families greater flexibility to choose what works for them.

In addition, the government is broadening the income test to include household income up to \$350,000 per year.

Eligible single parents will also be able to apply for an additional two weeks of paid parental leave.

Making women's safety a priority

Improving women's safety was also prioritised in the 2022/23 Budget.

- \$2.5 billion was allocated to support the transition to and implementation of the next phase of the National Plan to End Violence against Women and Children (across 2022-2032).
- \$222.6 million was allocated to prevention initiatives including expanding the role of the national prevention organisation.
- A further \$328.2 million will be spent to expand and establish early intervention programs.

What we would have liked to see

As a strong advocate for super and pay equity over many years, we want future governments to make improving women's financial security a top priority.

While last year's Budget did include scrapping the \$450 super threshold that saw many casual and part-time workers miss out on the full benefits of super, it was disappointing this year that there were no measures to make our super system fairer for women.

Women retire with almost a third less super than their male counterparts. Women, and those who raise children, continue to pay an unfair financial penalty through inadequate super balances, leaving too many vulnerable to poverty as they age.

We're pushing for Australia's next government to deliver reforms to super, including in their first term:

- paying super on Commonwealth paid parental leave, and
- introducing a superannuation carer credit for new parents to help get their super balances back on track following unpaid parental leave.



Want to know more?

Find out more about the Federal Budget 2022 announcements at budget.gov.au



Need advice?

Not sure what the proposed changes mean for you? Don't feel you need to work it all out alone, our Advice Team is ready to help.

Visit hesta.com.au/advice or call **1800 813 327**.

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