

Maximising Your Entitlements



Many Australians delay taking control of their finances because they don't have the time, they find it too daunting or they may just not know where to start. The reality is though the sooner you take charge the sooner you can start working towards achieving better results, especially in the long term.

To assist you in this process CPA Australia has developed *30 Ways to Build Your Wealth* - a series of five fact sheets to get you on the path to good money management. This fact sheet provides helpful tips on how to maximise your entitlements. The other fact sheets cover creating good money habits; spending money to make money; being tax savvy; and becoming financially literate - all of which can be downloaded at www.cpaaustralia.com.au/links?30wayskit

While the information highlights some factors to consider and how these may impact your finances, it does not replace the need for ongoing financial planning advice that is tailored to your specific needs.

1. Co-contributions

Co-contributions are a relatively new initiative where the government matches after-tax superannuation contributions made by low-income earners.

Generally, if your income is under \$28,000 and you are employed, each dollar you personally contribute to superannuation (i.e. out of after-tax income and separate from your employer's compulsory super guarantee contributions and salary sacrifice contributions) will be matched by \$1.50 from the government, up to a maximum co-contribution of \$1,500. For those on incomes above \$28,000, the co-contribution will be gradually reduced, phasing out completely at an income level of \$58,000 a year.

To obtain this rebate, simply lodge your tax return and the government will automatically rebate the money entitled.

Not a bad way to increase your retirement savings. By putting in \$20 into your super fund, you could be getting \$30 from the government, turning your \$20 into \$50 without you doing anything else.

2. Spouse contributions

A spouse rebate of up to \$540 applies where a taxpayer contributes to a superannuation fund for the benefit of a low income or non-working spouse.

Every dollar counts and this rebate provides some savings for your spouse while giving you a tax break. Generally, the spouse must be earning less than \$10,800 to get the full rebate and it cuts out totally when the spouse earns more than \$13,800 (earnings for this purpose also include reportable fringe benefits).

To obtain this rebate, simply lodge your tax return and the government will automatically rebate the money entitled. This rebate is given to you personally.

3. Health insurance

If you earn more than \$50,000 (or \$100,000 as a couple), it's worth considering private health insurance as the cost could be the same as, or only marginally more than the additional Medicare levy you would otherwise have to pay.

The government is keen to ensure those people that have the capacity to partly look after their own medical insurance needs do so. As a result all resident individuals with assessable income are required to pay 1.5 per cent of their gross salary as a Medicare levy. In addition, singles who earn more than \$50,000 and couples earning more than \$100,000 (plus \$1,500 for each dependent child after the first child) are subject to an additional Medicare Surcharge if they do not also have a minimum level of private health insurance cover.

It is therefore important to look at your private health insurance options to avoid the additional surcharge. In addition, privately insured people have the ability to claim a 30 per cent health insurance tax offset which most insurers pass on to consumers in the form of lower premiums rather than individuals arranging to have to claim it at tax time.

Finally, health insurers have also introduced lifetime health cover which rewards people with lower rates for life if they take out private health cover before their 31st birthday. For every successive year that people delay the cost of the health cover will increase by 2 per cent. For example, somebody who delays taking out private health insurance until they are 45 will pay 30 per cent (15 years times 2 per cent) more than somebody 30 years or under.



4. Maximising family payments

The government offers at least half a dozen different payments to families with children, depending on your circumstances. Make sure you fully investigate all of your entitlements.

Family benefits include:

- Family Tax Benefit A (and supplement) for raising kids
- Family Tax Benefit B (for single income)
- Child care benefits
- Maternity allowance
- Large family supplement
- Multiple birth allowance
- Immunisation allowance.

Check out www.familyassist.gov.au and <http://www.welfarerights.org.au/factsheets/fsftbeyi.doc> for more information.

Family payments from the Federal Government are designed for the ongoing expensive needs of raising children. However, it's important to do your homework to avoid the risk of having to repay a Family Benefit debt. If you're in doubt about the income you or your partner will earn during the year, it may be better to wait and calculate your Family Tax Benefit as part of your tax return.

To locate a CPA Financial Planning Specialist who can assist you with your financial planning needs, visit <http://www.cpaaustralia.com.au/links?findafp>

Note: Information is current as at 1 May 2006.

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