

## Superannuation changes: What you need to know

As you will have probably read in the press over the last few months, s  
the issues. To find out more about these changes and how they may  
I recommend that you contact our HPH adviser.

The key changes are:

- [Changes to Centrelink assessment of Assets Test-Exempt annuities](#)
- [Taking a defined benefit pension from a Self Managed Super Fund](#)
- [Introduction of Term Allocated Pensions \("Growth Pensions"\)](#)
- [Increased Government Co-contribution](#)
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## **Changes to Centrelink assessment of Assets Test-Exempt Annuities after 20 September 2004**

If you currently receive the age pension (or are about to qualify for it) but receive less than the maximum payment, you can currently invest money into a Defined Benefit Pension or Annuity and all of the money invested in the annuity or pension will be exempt from being considered by Centrelink as an asset.

Investing some money into such an annuity / pension can dramatically increase the overall return on invested funds because of the corresponding increase in age pension entitlement.

The key change is that after 20 September 2004, only 50% of these "Assets Test-Exempt" annuity / pension investments will be exempted from Centrelink's asset calculations - this means such investments will be only half as effective as they are at present.

## **Taking a defined benefit pension from a Self Managed Super Fund**

If you had a self-managed super fund (SMSF) in place prior to the May 2004 budget, you are entitled to take a "Complying Pension" (or Defined Benefit Pension) from that fund prior to 1 July 2005.

Complying pensions offer significant advantages if you wish to maximise Centrelink entitlements (see the preceding item) or if you wish to maximise the tax-effectiveness of the retirement income you take from your super.

## **Introduction of Term Allocated Pensions ("Growth Pensions") after 20 September 2004**

From 20 September 2004, you will be able to invest in a Complying Pension (for Centrelink or Reasonable Benefit Limit - or RBL - planning) without locking into the low rate of interest that is typically associated with Complying Pensions.

New "market-linked" complying pensions will now be available, allowing investors to achieve a better return on their investment capital, while still enjoying the tax and Centrelink planning aspects of a Complying Pension. Remember though, using these pensions will only be half as effective for Centrelink planning after 20 September 2004.

## **Increased Government Co-contribution from 1 July 2004**

As of 1 July 2004, the Federal Government has increased the co-contribution payment available for any eligible person making a \$1000 non-deductible contribution to their superannuation fund. The new government co-contribution will be a maximum of \$1500 for a \$1000 personal contribution, based on income and employment qualification criteria.

The maximum level is payable for assessable incomes of less than \$28000, with the co-contribution reduced to zero at an assessable income of \$58000. To be eligible for the co-contribution, at least 10% of the contributor's total income must be from

employment where the contributor has been eligible to receive (or has received) superannuation guarantee payments (i.e. not available to self-employed persons).

## **Changes to the definition of 'dependant' to include interdependency relationships for Super Death Benefits**

Any person with superannuation can have their super paid out to a dependant upon their death with concessional tax treatment. Under the current rules, the definition of a dependant is limited to the person's spouse, a child under the age of 18 or any other person financially dependent on the deceased. Any payment made on death under the current rules that does not meet this definition is liable for lump sum tax.

The definition of dependant has now been broadened to include people in an interdependent relationship. This has positive tax implications for super death benefits paid to people that are in an interdependent relationship, such as same sex couples.

## **Splitting super contributions with your spouse**

The government has foreshadowed legislation allowing working people to split super contributions with their spouse. Unfortunately, this will be limited to 50% of the employee's super guarantee payments.

This change had been scheduled to be passed on 1 July 2004, but remains a work in progress. Naturally, we will keep a close eye on this and will let you know more about it in due course.

## **For more information on these changes**

If you believe that any of the above changes could affect your investment planning, we urge you to get in touch with HPH Solutions as soon as possible.

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## **Thinking of taking up exercise?**

Taking up a competition sport such as athletics isn't just for young people. Sure, there is a gradual deterioration in performance with growing age. But older athletes can participate in all the same sports as younger athletes and achieve results that are just as impressive.

For example, world record times for the 100 metre sprint decline by 1 second every decade - that still means the fastest 60 year old beats the vast majority of 30 year olds.

Of course, before you make a decision to play competitive sport (or any activity that requires a greater effort than the equivalent of brisk walking) you need a medical clearance from a doctor, especially if you have had a history of illness such as coronary heart disease.

Once you have received the okay to get out on the field, the following information on the changes to the different systems and parts of the body that occur with age may assist you to put your best foot forward.

## **Physiology**

First, let's look at the realities. While many fit and trained older athletes can perform as well as younger competitors, the average older athlete does exhibit a slow deterioration in physical abilities and performance levels.

The deterioration observed in inactive people is even more pronounced due to lack of use. But notably, an unfit older person who starts training can achieve the same amount of improvement and at the same rate as a younger person.

## **Aerobic fitness**

The decline in aerobic fitness begins from around the age of 20. It is due to changes in the heart and blood vessels and the lungs. The maximum heart rate that can be achieved declines by an average one beat per year. The amount of blood pumped out with each heart beat also decreases.

The combined affect is the average older athlete has 20 percent less maximum cardiac output than younger adult athletes. However, aerobic training such as jogging produces similar gains in both older and younger athletes. Improvements for older athletes are due to increased efficiency to produce energy in the muscles.

## **Muscles**

Muscle strength and size decrease from the age of 30. The rate of decrease is faster after the age of 60 and even faster if you are unfit and untrained. The average 30 year old doing strength training is about 30 percent stronger than the average strength-trained 80 year old.

Reduced muscle size is predominantly due to possessing less muscle fibres, rather than a decrease in the size of each fibre. Aging particularly affects the proportion of "fast-twitch" muscle fibres, which are responsible for sudden bursts of muscle strength such as swinging a golf club or opening a jar.

In addition, the proportion of body fat increases with age. Combined with less muscle strength, this can make it harder for older athletes to perform physical activities and daily activities.

For example, the average 30 year old standing up from a chair only needs to use 50 to 60 per cent of the strength of the quadriceps (front thigh muscle). The strength required by the average 90 year old for the same activity is 95 per cent. An illness or injury could cause a 90 year old additional loss of strength and make it impossible to get up from a chair.

Fortunately, the response to strength training (such as lifting weights in the gym) is the same in older and younger people. Strength gains are achieved in the same amount and at the same rate, albeit from a lower level for the average older person.

## **Bones**

Bone mass and bone density decrease slowly from a peak reached between 20 and 30 years of age. The rate of decrease is influenced by the amount of activity performed and hormone levels. The spine is particularly affected around menopause in women. Men are also affected, though at two-thirds the rate of women. Too little activity is associated with an increased risk of osteoporosis, a disease that causes thinning of the bones.

## **Temperature regulation**

The older athlete faces a greater risk of developing heat illness during sport due to a reduced sweating capacity and tendency to respond less to thirst and subsequently drink less. It is recommended to drink 500 to 600 ml of fluid one to two hours before activity and 10 to 15 minutes beforehand and during activity, 120 to 150 ml every 20 minutes.

## **It's easier than you think...**

There is abundant evidence to indicate that people of all ages can benefit from physical activity. As long as you understand some of the fundamental physiological changes that occur with age, there is no reason that you can't turn over a new leaf, make a significant difference to your wellbeing and get pretty fit in the process.

**The above information is based on an excerpt from The Encyclopedia of Exercise, Sport and Health published by Allen & Unwin in 2004, co-authored**

by John Kron, Peter Brukner and Karim Khan.



3. *ABS Labour - The Labour Force 18/2/2002*

4. *(US) National Bureau of Economic Research - The Mismatch Between Life Insurance Holdings and Financial Vulnerabilities: Evidence From The Survey of Consumer Finances.*

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## For more information

If you would like more information on any of the items that have appeared in this edition of HPH Hotline, please contact us on **9213 0444** or email us at [info@hphsolutions.com.au](mailto:info@hphsolutions.com.au).

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