

# Challenger Federal Budget Report 2021-22

What  
it means  
for you



# What it means for you



In the words of the Treasurer, Josh Frydenberg, this year's Federal Budget is meant to 'Secure the recovery, and set Australians up for the future'. And, with changes to how older Australians can contribute to their super, and a strong focus on aged care following findings from the recent Royal Commission, there's plenty in this year's Budget that may affect you. We've put together this report to make sure you don't miss any of the essential information.

It's worth noting that these proposed measures aren't law yet – and could change.

## Summary

---

### Superannuation

- From 1 July 2022, the **work test will no longer be required** to be met by individuals aged 67 to 74 for voluntary contributions into their super.
- From 1 July 2022, the Government proposed to **extend the ability to make downsizer contributions to those age 60 and over**. Currently only those age 65 and over at the time of making the contribution are eligible.
- The Government will **remove the current \$450 per month minimum income threshold**, under which employees do not have to be paid the superannuation guarantee by their employer. The Government expect this measure will take effect from 1 July 2022.

### Social security

- The Government will improve the Pension Loan Scheme (that can help you boost your retirement income by unlocking capital in your real estate assets) by introducing a 'No Negative Equity Guarantee' for the loans and allowing people to access a capped advance lump sum payment.

## Aged care

- In response to the Royal Commission into Aged Care Safety and Quality, the Government announced **a \$17.7 billion five pillar aged care reform plan**. The Government will provide additional funding for:
  - home services, including an additional 80,000 home care packages;
  - residential aged care and sustainability, including a new Basic Daily Fee supplement of \$10 per resident per day;
  - residential aged care quality and safety, including improving access to primary care for senior Australians;
  - the aged care workforce, including upskilling the existing workforce and provide training for thousands of new aged care workers; and
  - regional aged care services including establishing new governance and advisory structures.

## Superannuation

---

### Repealing the work test and extending the bring forward provisions

From 1 July 2022, the work test will no longer be required to be met by individuals aged 67 to 74 for voluntary contributions like non-concessional contributions and salary sacrifice contributions. However, individuals aged 67 to 74 still need to meet the work test requirements in order to make any personal deductible contributions.

Currently, these individuals (aged 67 to 74) would need to meet a work test or be eligible for a work test exemption before they can make voluntary contributions to their super.

Individuals aged 65 to 74 will also be able to use the bring forward provisions subject to the available caps and meeting the total super balance criteria. Currently, only those under age 65 on 1 July of a financial year can trigger the bring forward provision in that financial year. The measure that was originally announced in the 2019-20 Federal Budget to extend this age from 65 to 67 effective 1 July 2020 has not yet been legislated.

### Downsizer contributions extended to those who are age 60 and over

From 1 July 2022, the Government proposed to extend the ability to make downsizer contributions to those age 60 and over. Currently only those age 65 and over at the time of making the contribution are eligible.

All other requirements remain unchanged, including the requirement that the home was owned by the person or their spouse for at least 10 years. The sale proceeds are either fully or partially exempt under the main residence exemption and the downsizer contribution made within 90 days of receiving the sale proceeds.

The new rules will allow more individuals to contribute more of their sale proceeds to super - under both the \$300,000 downsizer limit (or \$600,000 for a couple) and the \$330,000 bring forward non-concessional contributions cap.

## Removing the \$450 per month threshold for superannuation guarantee eligibility

The Government will remove the current \$450 per month minimum income threshold, under which employees do not have to be paid the superannuation guarantee by their employer. The Government expect this measure will have effect from 1 July 2022.

The Government states that this measure will improve equity in the superannuation system by expanding the superannuation guarantee coverage for cohorts with lower incomes. The Retirement Income Review estimated that around 300,000 individuals would receive additional superannuation guarantee payments each month, 63 per cent of whom are women.

## Legacy retirement product conversions

Retirees in receipt of legacy retirement products such as certain market-linked, life-expectancy and lifetime pensions will be given the option to exit these products over a two-year period.

The Government advise that individuals seek independent financial advice in respect to deciding whether to take up the option to exit their legacy product.

# Social security

---

## Improving the Pension Loan Scheme

Currently the Pension Loan Scheme (PLS) allows a fortnightly loan of up to 150% of the maximum rate of Age Pension to help boost a person's retirement income by unlocking capital in their real estate assets.

From 1 July 2022, borrowers under the PLS, or their estate, will not owe more than the market value of their property.

Eligible people will be able to access up to two lump sum advances in any 12-month period, up to a total value of 50% of the maximum annual rate of Age Pension (currently \$12,385 for singles and \$18,670 for couples).

# Aged care

---

## Government response to the Royal Commission into Aged Care Quality and Safety

In response to the Royal Commission into Aged Care Safety and Quality, the Government announced a \$17.7 billion five pillar aged care reform plan.

### Pillar 1 – Home care – at home support and care based on assessed needs

The Government will provide additional funding for home services, including:

- an additional 80,000 home care packages – 40,000 released in 2021-22 and 40,000 in 2022-23, which will make a total of 275,598 home care packages by June 2023; and
- designing and planning a new home care program to better meet the needs of senior Australians.

## **Pillar 2 – Residential aged care services and sustainability – improving service suitability that ensures individual care needs and preferences are met**

The Government will provide additional funding for residential aged care and sustainability, including:

- increasing the amount of front line care (care minutes) delivered to residents of aged care and respite services; and
- supporting aged care providers to deliver better care and services.

## **Pillar 3 – Residential aged care quality and safety – improving access to and quality of residential aged care**

The Government will provide additional funding for residential aged care quality and safety, including:

- improving access to primary care for senior Australians;
- ensuring the Aged Care Quality and Safety Commission is well equipped to safeguard the quality, safety and integrity of aged care services and can effectively address failures in care and to extend support to manage and prevent outbreaks of COVID-19;
- additional resources to build capacity within residential aged care for the care of senior Australians living with dementia;
- introducing a new star rating system to provide senior Australians, their families and carers with information to make comparisons on quality and safety performance of aged care providers; and
- expanding independent advocacy to support greater choice and quality safeguards for senior Australians.

## **Pillar 4 – Workforce – growing a bigger, more skilled, caring and values based workforce**

The Government will provide additional funding for the aged care workforce, including:

- upskilling the existing workforce and provide training for thousands of new aged care workers.

## **Pillar 5 – Governance and regional access – new legislation and stronger governance**

The Government will provide additional funding for regional aged care services, including:

- establishing new governance and advisory structures, including a National Aged Care Advisory Council, and Council of Elders, and to work towards establishment of an office of the Inspector-General of Aged Care;
- improving access to quality aged care services for consumers in regional, rural and remote areas, including those with Indigenous backgrounds and special needs groups; and
- establishing regional offices as a first phase of a nation-wide rollout to improve advice to Government on issues impacting the delivery of aged care in regional and rural areas.

The Government will draft a new aged care Act to enshrine the government's reforms in legislation by mid-2023. The new Act will replace both the Aged Care Act 1997 and the Aged Care Quality and Safety Commission Act 2018.

**Want to know more about these or other measures announced in this year's Federal Budget?**

**Get in touch with your financial adviser – they'll be happy to talk everything through with you. Or [contact our friendly Challenger team](#) (details below).**

## Contact details

---

### By phone

Investor Services  
13 35 66  
(during Sydney business hours)

### By email

[info@challenger.com.au](mailto:info@challenger.com.au)

### Website

[challenger.com.au](http://challenger.com.au)

This update is issued by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger) and is current as at 12 May 2021. It does not constitute financial product advice, taxation advice or advice on social security laws. Before making a decision about a financial product, we strongly recommend that prospective investors obtain financial product advice, as well as taxation and applicable social security advice, from qualified professional advisers who are able to take into account the investor's individual circumstances. This update is a guide only and based on Challenger's understanding of the 2021-22 Federal Budget Report and current taxation and (where relevant) social security laws. These laws may change and the proposals mentioned in the 2020-21 Federal Budget Report may not become law. In preparing this update, Challenger relied on publicly available information and sources believed to be reliable, however, the information has not been independently verified by Challenger. While due care and attention has been exercised in the preparation of this information, Challenger gives no representation or warranty (express or implied) as to its accuracy, completeness or reliability. The information presented in this update is not intended to be a complete statement or summary of the matters to which reference is made in this update. To the maximum extent permissible under law, neither Challenger nor its related entities, nor any of their directors, employees or agents, accept any liability for any loss or damage in connection with the use of or reliance on all or part of, or any omission inadequacy or inaccuracy in, the information in this update. Neither Challenger, nor any of its officers or employees, are a registered tax agent or a registered tax (financial) adviser under the Tax Agent Service Act 2009 (Cth) and none of them is licensed or authorised to provide tax or social security advice.