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Budget super changes a win for women

Changes to superannuation tax concessions announced in this week's federal budget will go some way towards closing the gap between women's and men's super balances, incentivising women to make contributions when out of the workforce and extending the degree to which spouses can make contributions on behalf of a partner who is working part-time.

Speaking to financialobserver, IOOF national manager of technical services Kate Anderson said despite the less palatable tax changes announced for high earners, the budget included several positive initiatives around women and superannuation.

"The catch-up contributions for account balances under \$500,000 is a great incentive for women to make payments while they are out of the workforce, and the reinstatement of the low-income super contribution will also help," Anderson said.

"At the same time, the income threshold for the low-income spouse tax offset has increased from \$10,000 to \$37,000, which is a really significant rise."

As well as allowing parents to work more part-time hours and still be eligible for a tax offset if their full-time working spouse made contributions on their behalf, the elimination of the work test for those in the 65 to 75 age bracket was also advantageous for older women who might be in a better position to make contributions to super later in life, she said.

"We very much welcome the work test being removed from age 65 – we have been lobbying the government on that for a long time," she said.

"It makes sense because people in general are working longer, and for older women having the opportunity to contribute into super at that point of time where they do retire is hugely beneficial."

However, she criticised the implementation of a \$500,000 lifetime cap on non-concessional contributions, arguing it would make it difficult for those women who were in a position to contribute large amounts later in life to catch up.

"If you think of the \$500,000 cap, it's quite limited given that the people who are contributing the most money are nearing retirement, and is that amount going to be enough given that they will need at least a million dollars to provide a comfortable lifestyle?" she said.