



Australian Government
Financial Literacy Foundation

**PRESS
RELEASE**

FINANCIAL LITERACY AND YOUR TAX SAVING

June 25, 2007

From July 1st all Australian taxpayers will share in tax cuts worth \$31.5 billion over the next four years. “What Australians decide to do with that money today can make a very big difference over the long term,” says the Financial Literacy Foundation Advisory Board Chairman, Paul Clitheroe.

“Being financially literate means making informed choices with your money and the tax cuts provide a perfect opportunity to do something today that will benefit you and your family in the future. It’s really important to understand this money opportunity. And the great thing is, because it’s a tax saving you won’t have to take a cut in take-home pay”.

From 1 July 2007 the personal income tax cuts announced in the 2007-08 Budget mean that people earning \$30,000 a year will get around an extra \$90 a month and those earning \$50,000 or more will get around \$60 per month. Says Mr Clitheroe: “To some these might seem like small amounts but over time they can really add up and now’s the time to take action. Don’t just spend it, no matter how small the amount you can put it into superannuation, increase your mortgage payments or save it. You really don’t need a lot of money to start your savings working for you over the long term.”

- Put more money into super. If you earn \$28,980 or less a year and meet eligibility requirements, then if you contribute \$60 a month out of your take-home pay, the government will add \$1.50 to every dollar you contribute to your superannuation. That’s over \$1,000 a year extra that the government would put into your super.
- Use the tax cuts to increase your mortgage payments. If you pay an additional \$60 a month off a mortgage of \$200,000 with an interest rate of 8 per cent, the tax cut could save you around \$40,000 over the life of the loan and shorten the repayment period by 3 years or more.
- Put the tax cut into a savings account. With an interest rate of 6 per cent, \$60 a month deposited into a savings account can be worth around \$2,300 in 3 years time. And if you leave your savings to grow, you’ll really benefit from compound interest. This is where you earn interest on the amount you’ve deposited, as well as on interest you’ve already accumulated.

The Financial Literacy Foundation and its Understanding Money initiative was established by the Australian Government in 2005 to give all Australians the opportunity to better manage their money.

The Foundation’s website, www.understandingmoney.gov.au has calculators on saving, loans, and budget planning. The Foundation also has a free Understanding Money handbook which contains information and tips on budgeting, saving, investing, being in charge of your debt, superannuation, protecting your money, and how to get good advice.

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If you would like to order one or more copies of the handbook, call the Handbook Phone Line on 1800 236 235 or visit www.understandingmoney.gov.au

About the Super Co-contribution

The Australian Government's Super Co-contribution can really make your super grow faster.

If you are working and earn up to \$58,980* a year, you may be eligible. To be eligible a person must earn 10 per cent or more of their income from eligible employment or carrying on a business or a combination of both. A person must also be less than 71 years on 30 June of the year in which the personal contributions are made and not be a temporary resident.

If you're eligible and earn \$28,980 or less, the government will add \$1.50 to every dollar you tip into your super out of your take-home pay.

The maximum Super Co-contribution is \$1,500 a year. As your earnings go up, the maximum co-contribution reduces on a sliding scale.

It finally cuts out when you are earning \$58,980* a year. And there's no minimum contribution you need to make.

To receive the co-contribution, all you have to do is make sure your super fund has your tax file number and pay in your contributions.

The co-contribution automatically goes into your super fund once you've lodged your tax return and your super fund has told the Tax Office about your contributions.

*These income levels are for the 2007-08 tax year.

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