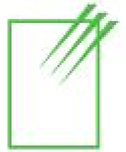
Professional Investment Services



Budget

+ wealth + security

Booster

June 2014

End of year superannuation strategies

The lead up to the end of the financial year is an opportune time to review your financial situation and avoid the last minute rush. We can help you with a number of strategies that can improve your financial position including the potential to reduce tax and take advantage of the concessional superannuation environment. Here are some super strategies worth considering.

Superannuation co-contribution is a government incentive to help low income earners build their superannuation balances. If you earn less than $48,516 (2013/14) and make personal contributions to super you may be eligible for up to $500. The amount depends upon your income with the government contributing 50 cents for each dollar you contribute, up to a maximum of $500.

Personal deductible superannuation contributions is a helpful strategy for eligible individuals as contributions are generally taxed at a concessional rate of 15% compared to a higher marginal rate. This strategy can be particularly helpful if you have sold an asset during the year and realised a significant capital gain, as you may also be able to reduce the any personal income tax been payable on the capital gain.

Generally, this strategy can be implemented by the self-employed, retirees and employees whose employment ±incomeqis less than 10% of their total ±incomeq

Super Salary sacrifice involves an agreement between an employee and an employer to forgo a portion of salary in exchange for payment as a super contribution. The attraction of this strategy is ±swappingqa higher marginal tax rate for the concessional rate of 15% that is generally charged on super contributions.

If youqe due for a pay rise or an end-of-year bonus, you may be able to salary sacrifice this into super. Also if you are still within your concessional contributions cap (see important note below) you may be able to increase your salary sacrifice contributions to take full advantage of this concession.

Important note: the ±concessional contributions capqlimits the amount of concessional contributions (including salary sacrifice and personal deductible) before tax consequences may apply. The concessional contributions cap for 2013/14 is $25,000 if you are under 60, or $35,000 if you are 59 or older as at 30 June 2014.

Non-concessional contributions often called ±after-taxqcontributions are another way to increase investments in the concessionally taxed super environment.

The non-concessional contributions cap is $150,000 (2013/14). However, if you are under age 65 at any time during the financial year, you can bring forward the next two yearsqnon-concessional contributions caps to allow larger contributions to be made (providing you havenq already done so in the two previous financial years). The ±bring-forwardqcap is $450,000 and is automatically triggered when your after-tax contributions are more than $150,000 (2013/14).

The non-concessional contributions and ±bring-forwardqcaps have been increased for 2014/15 to $180,000 and $540,000 respectively. A strategy of triggering the ±bring forwardqin 2014/15 rather than this financial year may enable increased amounts to be contributed to superannuation over time. Timing of contributions including when to trigger the bring-forward is an important consideration to optimise contribution levels and avoid tax penalties.

Spouse contribution provisions allow taxpayers to make after tax super contributions to their spouseqs superannuation account. Advantages include:

- Investing for a spouse who may have little or no superannuation; and
- A tax offset for contributions for a low income earning spouse

A spouse tax offset worth up to $540 is available for a taxpayer who contributes for a spouse who earns less than $10,800. The offset reduces to nil when income reaches $13,800.

Spouse contributions splitting may help you and your spouse to accumulate more tax-effective wealth for retirement.

Generally, contributions splitting allows a member to split up to 85% of their employer and personal tax deductible super contributions made in the previous financial year to their spouseqs super. Splitting has a number of advantages including maximising superannuation withdrawals via two ±ow rate capsq

Amounts up to the ±ow rate capqof $180,000 (2013/2014 & $185,000 2014/15) are included in assessable income but taxed at a zero rate of tax, so splitting contributions to a spouseqs account enables up to $360,000 to be withdrawn by a couple with zero tax payable on the withdrawal.

Source | OnePath

This communication has been prepared on a general advice basis only. The information has not been prepared to take into account your specific objectives, needs and financial situation. The information may not be appropriate to your individual needs and you should seek advice from your financial adviser before making any investment decisions.

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