Smart super strategies
what you need to know

Superannuation can be one of the most tax effective ways to build your retirement nest egg. There are a range of strategies you can consider to boost your super savings.

Consolidate your super
If you've had several jobs since you started working, you may have money in more than one super fund. Having more than one super fund means you could be paying unnecessary fees and insurance premiums on each one. Combining all your super funds and insurance into one can make your super easier to track, simpler to manage and ensure you save on fees and charges.

Keep in mind, certain lost super accounts with balances of less than $6,000, as well as the balances of members not able to be identified by their fund, are automatically drawn together by the Australian Tax Office (ATO) to reduce your account fees. In addition, from 1 July 2013, the Government started paying interest linked to the Consumer Price Index (CPI) on all lost super accounts reclaimed from the ATO - so your lost super savings will keep pace with inflation.

From 1 July 2019, the ATO will automatically consolidate super it holds for a person by transferring it to an active superannuation account if the total consolidated value is more than $6,000.

Track down your super
One way to find out where your super is located is by checking the statements you have received from each of your previous super funds or by calling your past employers.

If you can't trace your super, it may be classified as unclaimed, which means the ATO is holding it on your behalf. You can see the different reasons why super may be classified as unclaimed on the ATO website: *Types of unclaimed super.*
(https://www.ato.gov.au/Super/APRA-regulated-funds/Reporting-and-administrative-obligations/Unclaimed-super/Types-of-unclaimed-super/)

You can check whether any unclaimed super belongs to you by visiting the myGov website (mygov.gov.au) or asking your current super fund to conduct a search on your behalf using a system called SuperMatch2. You might find a handy sum to boost your super.

Do some housekeeping and make sure your super fund has your tax file number (TFN). This will make it easier to find lost super, move your super between accounts and receive super payments from your employer or the Government as well as make personal contributions. Once you've tracked down all your super, you need to decide which super fund best suits your personal and financial circumstances. Before deciding on a fund, compare the costs and benefits of each.

There are four important things to consider before moving your super:

- Will an exit fee be deducted from your investment? Exit fees on superannuation accounts are banned from 1 July 2019.
- Are there any investment and/or taxation implications?
- Will you need to make new insurance arrangements? And will your new super account have adequate insurance coverage compared to your old account?
- Will your current employer contribute to the chosen super fund?

Salary sacrifice
Currently, most employees receive super guarantee (SG) contributions from their employer of at least 9.5%[1] of their salary. Making super contributions directly from your gross (pre-tax) salary can be an easy and tax-effective way to top up your super. This is called salary sacrifice.

Some of the benefits of salary sacrifice are:

- It's simple, automatic and consistent.
- You do not pay personal income tax on salary sacrifice contributions to super (up to certain limits). Your super contributions are generally taxed at 15%[2] in the super fund, which may represent a significant tax saving, particularly if you are on the highest marginal tax rate of 45% plus applicable levies.
- By making a salary sacrifice contribution, you can reduce your taxable income.
- The difference in taxation may mean more money is available to invest in super than if you were to receive the money as after-tax income and then invest it.
- Future earnings on contributions made to super are concessionally taxed at a maximum of 15%.
- Up to $30,000 of voluntary salary sacrifice contributions are eligible for the First Home Super Saver (FHSS) scheme[3].

You should check with your employer first to see whether salary sacrifice arrangements are available and that adopting a salary sacrifice strategy will not reduce the amount of SG contributions your employer pays on your behalf.

Personal tax-deductible contributions
You can generally claim a full tax deduction for personal contributions you make to super. While still subject to the concessional contributions cap, this strategy may prove timely if you have made a considerable capital gain from the sale of a property or shares – as your deductible contribution to your super fund may help to offset your assessable capital gain. Not only could it reduce your marginal tax rate, it may also boost your super balance for retirement.

Personal tax-deductible contributions can also be a flexible way of maximising your concessional contributions near the end of a financial year.

Personal tax-deductible contributions are also eligible for the First Home Super Saver (FHSS) scheme[3].

Note that if you are not able to claim your super contributions as a tax deduction (for example, your income for the year is too low), they will be treated as after-tax (non-concessional) contributions.

To make a personal tax-deductible contribution, you need to submit a valid deduction notice to your super fund within strict timeframes, and have it acknowledged by your fund in writing.

Take advantage of the government co-contribution
To encourage you to save for your retirement, if your total income[4] is $37,697 pa or less and you make a $1,000 after-tax contribution to super, the Government will generally contribute $500 to your super.

The co-contribution is calculated as 50% of your after tax contribution, but the maximum $500 government co-contribution also reduces by 3.33 cents for every dollar you earn over $37,697 pa and ceases once your total income reaches $52,697 pa.

When determining eligibility for the Government co-contribution, earnings that are salary sacrificed to super and reportable fringe benefits come under the definition of total income. If you fit within the income thresholds outlined above, and satisfy some other conditions, contributing to your super from your after-tax salary before the end of the financial year may be a great way to top up your super, and get an extra boost from the Government.

Your financial adviser can give you the latest updates and more information on this opportunity.

Split super contributions with your spouse
If you have a spouse, you are permitted to transfer certain super contributions from the previous financial year over to the super account of your partner. If the receiving spouse is over preservation age at the time of the split request, he or she must declare that they are not retired. Splits cannot be done once the receiving spouse turns 65. You can do this every year, generally once the financial year has ended. Up to 85% of taxable (concessional) contributions (up to the concessional contributions cap) such as SG, salary sacrifice and personal tax-deductible contributions made to super can be transferred.

There are several reasons for considering splitting super with your spouse:

- If you and your spouse are both between preservation age and age 59, withdrawing the money from two members account may result in lower marginal tax rate for each member.
- Transferring contributions from the younger spouse to the older spouse could enable you to access more retirement money earlier.
- Transferring money from the older spouse to the younger spouse could enable the older spouse to receive more Age Pension by delaying the date at which their super becomes an assessable asset.
- Splitting superannuation monies does not count towards the receiving spouse's contributions cap.[5]
- To help equalise balances between you and your spouse. From 1 July 2017, a $1.6 million 'transfer balance cap' applies to limit the total amount of super savings you can use to commence retirement phase income streams (where earnings on assets are tax free). Because this cap applies on an individual basis, equalising super balances between members of a couple can ensure that both members stay below this cap.

Super splitting is not offered by all funds, so you will need to check whether your fund offers this feature.

The benefits of spouse contribution tax offsets
Another potential tax concession is a spouse contribution tax offset. This strategy may be available if you make after tax contributions directly to your spouse's super account – these are known as eligible spouse contributions. To take advantage of this strategy, your spouse will need to be under age 65 or aged 65 to 69 and have satisfied a work test during the financial year. You can open a super account in your spouse's name and make contributions to that account from your after-tax pay. You can also make these contributions to your spouse's existing super account.

If your spouse's assessable income, reportable employer super contributions and reportable fringe benefits are under $37,000 pa, you will receive an 18% tax offset on the first $3,000 you contribute on their behalf, up to $540 pa. The offset operates on a sliding scale and phases out to zero once their income exceeds $40,000 pa.

A word on contributions caps

When considering any super strategy, it's important to assess how much you are contributing to super in any one year. The Government has set annual limits – known as contributions caps, and additional tax may apply where you exceed the caps[6].

The contributions caps for the 2018-19 financial year are[7]:

- A concessional contributions cap of $25,000 per financial year[8].
- A non-concessional contributions cap of $100,000 per financial year, or up to $300,000 over a three-year period (known as the bring-forward rule) if you are under age 65 any time during a financial year. In addition:
    - Your non-concessional cap reduces to Nil if your total super balance[9] (just before the start of the year) is $1.6 million or more.
    - The cap you have available under the bring-forward rule will reduce if your total super balance[9] (just before the start of the year) is $1.4 million or more.
    - If you triggered a bring-forward rule in - 2016-17 (the bring-forward cap was $540,000 at that time) but did not use all of your cap by 30 June 2017, transitional rules will reduce the remaining cap you have available in 2018-19.

Contribution eligibility

In order to make most voluntary super contributions, at the time of the contribution, you must be:

- Under age 65
- Aged 65 to 74 and have been employed for gain or reward for 40 hours in a 30 consecutive day period during the financial year[10.]
    - This includes up to 28 days after the end of the month in which you turn 75
    - Spouse contributions cannot be made where the receiving spouse is aged 70 or over.

Voluntary contributions generally cannot be made once you have reached age 75.

Compulsory contributions (e.g. Super Guarantee) can be made at any time regardless of your age.

How we can help

It's important to keep your financial adviser informed about any super contributions you make so they can ensure you don't exceed these caps. Contributions over these caps can be taxed at up to 47%[6].

When assessing your concessional contributions you will need to include all employer superannuation guarantee contributions from any employers over the year and any salary sacrificed amounts, as well as personal contributions for which you will claim a tax-deduction.

1 The SG rate will be 9.5% until end of financial year 2020/21. After that it will increase gradually each financial year by 0.5% until it reaches 12% on 1 July 2025.

2 If your total income (including your concessional contributions) exceeds $250,000, you will need to pay an additional 15% tax on part or all of your concessional contributions.

3 Up to $15,000 per year, and $30,000 total of voluntary superannuation contributions made since 1 July 2017 are eligible First Home Super Saver contributions.

4 Total income equals assessable income plus reportable fringe benefits plus reportable employer super contributions, less business deductions (other than for work related expenses or personal super contributions).

5 The original contribution made does count towards the members' concessional contributions cap.

6 Contributions made in excess of your concessional contributions cap are effectively taxed at your marginal tax rate, plus an interest charge. You are also able to withdraw up to 85% of any excess concessional contributions. Contributions made in excess of your non-concessional contributions cap may be taxed at 47%, however, you can instead generally elect to withdraw non-concessional contributions above your cap tax free, plus an associated earnings amount which is taxed at your marginal tax rate less a 15% tax offset. Interest charges may also apply to the amount of tax payable to cater for timing differences on when the tax is payable. From 1 July 2018, if you don't make this election, the ATO will take action to withdraw non-concessional contributions above your cap on your behalf.

7 Contributions caps were significantly reduced from 1 July 2017. Higher concessional and non-concessional contributions caps applied for the 2016-17 financial year.

8 If you have a total superannuation balance of less than $500,000 just before the start of the financial year, you can accrue unused concessional contributions to use within the following five financial years. Unused concessional contributions may only accrue from 1 July 2018, and may only be used from 1 July 2019.

9 Total super balance is broadly the total of all your superannuation accounts, whether in the accumulation or pension phase.

10 From 1 July 2019, those aged 65 to 74 may continue to make voluntary contributions to super in the financial year after they last satisfied the work test.

Speak to us for more information

If you have any questions, please speak to your Count Financial Adviser.

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