7 Super Strategies for End of Financial Year

The end of the financial year is a good time to think about how you could grow your super and start saving for retirement. Here are some options you could consider to help your super work harder for you.

Tax-deductible super contributions
You may be eligible to claim a tax deduction for your personal super contributions. By doing this, you may be able to pay less tax while saving more for your future. Your eligibility can be affected by your age, sources of income and the level of salary sacrifice and certain other employer contributions made for you. To claim a deduction, you must give a notice to the Trustee of your super fund and have it acknowledged.

Keep in mind that personal deductible contributions count towards your annual before-tax contributions cap. The current before-tax contributions cap is $25,000 per financial year. Any contributions made above these limits will attract additional tax.

Salary sacrifice to top up your super
Salary sacrifice is an arrangement where part of your before-tax wage or salary is paid into your super account instead of being received as take-home pay. It could be an effective way to boost your super and help you with saving for retirement. There may be tax advantages for you, depending on how much you earn.

To get started, do a budget to work out how much you can afford to contribute to your super from each pay packet. You may also consider talking to you employer to find out if they can set up salary sacrifice arrangements for you.

Keep in mind that salary sacrifice contributions count towards your annual before-tax contributions cap of $25,000 per financial year. Personal deductible contributions and contributions made by your employer also count towards your annual before-tax contributions cap.

Consider a one-off contribution

After-tax super contributions are made from money you have already paid income tax on and won't be claiming a tax deduction on. For example if you work for an employer, making a contribution to super directly from your bank account is considered an after-tax contribution.

Investment earnings within your super accumulation account are taxed at up to 15%, compared to your marginal tax rate which applies to investments you may hold outside of super. Please note that depending on your income level, your marginal tax rate may be less than 15%.

The annual limit for after-tax contributions is currently $100,000 if your total superannuation balance is below $1.6 million at the start of the financial year. In certain circumstances, you may be able to bring forward three years of after-tax contributions into one year, contributing up to $300,000, if you haven't triggered the rule in the previous two years and your total superannuation balance is below $1.4 million at the start of the financial year. You may still be able to contribute part of the bring-forward if your total superannuation balance is between $1.4 million and $1.5 million at the start of the financial year.

Government co-contribution

In the 2018/19 financial year, if you are a middle to low income earner, adding to your super from after-tax money could see you entitled to a government co-contribution worth up to $500.

To be eligible, you need to earn less than $52,697 in the 2018/19 financial year and be aged below 71 at 30 June 2019. You must also have a total superannuation balance of less than $1.6 million at the start of the financial year to be eligible.

The maximum co-contribution of $500 is available if you earn less than $37,697 in the 2018/19 financial year and if you have made a contribution yourself of at least $1,000. The co-contribution steadily reduces as your income rises and until it reaches zero at an annual income of $52,697.

Spouse super contribution tax offset

If your spouse or partner's assessable income is less than $40,000 in a financial year, and you decide to make super contributions on behalf of your spouse, you may be able to claim a tax offset for yourself.

The maximum tax offset available is $540 if your spouse received $37,000 or less in assessable income in the 2018/19 financial year. The tax offset is progressively reduced until it reaches zero for spouses who earn $40,000 or more in assessable income in a year.

First home buyers

You may be able to make voluntary superannuation contributions to use towards a deposit for your first home under the First Home Super Saver Scheme (FHSSS) starting from 1 July 2017. Voluntary contributions you make, plus associated earnings, can be accessed from 1 July 2018 subject to meeting eligibility criteria. Whether using concessional or non-concessional contributions, the total amount of contributions you can withdraw is capped at $15,000 a year (or a maximum of $30,000 in total). Superannuation Guarantee contributions, as well as contributions that don't count towards or are in excess of the contribution caps, cannot be accessed under the FHSSS as part of your deposit.

Downsizer contributions

From 1 July 2018, if you are planning on downsizing your family home of ten years or more and are aged 65 or over, you may be able to contribute up to $300,000 from the sale proceeds to superannuation as a downsizer contribution. If you have a spouse, they could also contribute up to $300,000 to their superannuation from these proceeds. Downsizer contributions do not count towards your before or after-tax contribution caps or caps on contributions for total superannuation balance.

Be aware of annual limits

As annual limits apply to the amount you can add to your super each year, it is important to consider how much you have already added to your account (or accounts) during the financial year to know which strategies can work for you.

Source: BT

We will guide you with a tailored approach that works for your circumstances. Give us a call on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.

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