TAX STRATEGIES PART 2: USING SUPER TO ITS ADVANTAGE – BOOST BEFORE 30 JUNE 2019

A lot of people make the constant mistake of comparing superannuation funds by their investment returns and fees.

Superannuation is a tax-effective investment vehicle that you can use to provide for your retirement. The performance of your superannuation will depend on the investment options that you select, the level of life insurance that you choose, and then the choice of administration platforms.

With the election result now clear, the Coalition Government will continue to support superannuation as a way to increase your retirement savings.

With the end of the financial year close to being upon us, here are our top 5 superannuation strategies that could help you to save your tax and boost your overall financial position in the lead up to the end of the financial year, and moving into next year.

Strategy 1: Review your Salary and Super Contributions

If you are an employee, you may want to sacrifice your pre-tax salary or bonus into super rather than receive it as cash, so you can:

- Reduce tax on your salary or bonus by up to 31.5%, and
- Take advantage of the Contribution Cap that applies in this financial year.

With the new changes in superannuation deductibility, you no longer need to ask your employer to salary sacrifice additional superannuation. You can now make a personal contribution to super directly. You need to make sure that you arrange your superannuation fund to provide you with the correct written Declaration to complete and return to them so that when the ATO matches its records to your superannuation fund, you are not denied the deduction.

Strategy 2: Check that you don't exceed your Super Contribution Cap

The superannuation caps are $25,000 per annum as tax deductible contributions (also called the Concessional Contribution Cap), and $100,000 per year for non-tax deductible contributions (you can also bring forward 3 years of contributions in one year, subject to conditioning).

If you exceed either of the caps, you are charged an additional tax of 30% plus Medicare levy, of the amount of the excess contribution.

Once you exceed your $25,000 Contribution Cap (which includes the superannuation contributions made by your employer), you are able to seek the contribution to be paid to you by your employer as extra salary, and you pay the same amount of tax, but you are then able to use those funds to pay down your home loan, or use the funds for other purposes.

Strategy 3: Top up Your Super From After-Tax Amounts

You are able to put into superannuation an amount of after-tax funds (which are called Non-Concessional Contributions) of up to $100,000 per annum (and more if you use the 'bring forward' rule). To assist in boosting your retirement savings, you can consider a number of strategies in this regard.

If you have an investment in your own name, you may want to cash-out the investment and use the money to make a personal after-tax super contribution, so you can:

- Reduce tax on investment earnings by up to 31.5%, and
- Increase your retirement savings.

If you have received an inheritance or a windfall, you can consider putting those funds into superannuation and the earnings on those funds will be taxed at 15%, rather than at your normal marginal tax rate.

Strategy 4: Make a Downsizer Contribution

Individuals aged 65 years or older can make Downsizer Contributions of up to $300,000 into their superannuation using the proceeds from the sale of their main residence where sale contracts are exchanged on or after 1 July 2018 (and superannuation providers can accept such contributions).

This is a way to get more superannuation into your Fund.

Strategy 5: Get a super top-up from the Government for you or your spouse

If you earn less than $38,564 for the tax year ending 30 June 2019, you may want to make a personal after-tax super contribution, and you may qualify for a Government co-contribution of up to $500.

You could make this contribution for your spouse as well, to top-up their super, if their income is below $38,564, and you can also claim the co-contribution for your spouse.

Alternatively, if you have a spouse who earns less than $37,000 for the year to 30 June 2019 (subject to other conditions), you may want to make an after-tax super contribution on their behalf, and you can receive a tax offset of up to $540 (the rebate is 18% of the amount of the contribution, with the tax offset capped at $540).

2019 / 2020 Changes

In the recent Federal Budget prior to the election, the Government announced that individuals with superannuation account balances of $500,000 or less can make “catch-up” superannuation contributions using their unused Concessional Contributions Caps (for up to five years) from 1 July 2018.

This won’t have an effect until the next financial year, but it will provide the opportunity for many clients to make “catch-up” superannuation contributions into their super against past years’ unused contributions, into the future.

If you want to know more about your superannuation, please contact the AAG team today on (08) 9227 6300 or email clientservices@austasiagroup.com. We are here to help you!

How can we help you?

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