Superannuation & Retirement

SUPERANNUATION

Utilizing superannuation as a savings mechanism is a tax-efficient approach to augment your savings and achieve your retirement objectives.

Affluens WEALTH

A Suite 3.02,
7-9 Irvine Place
Bella Vista NSW 2153
P 1300 038 746
E wealth@affluens360.com.au
W www.affluens360.com.au

Utilising superannuation as a savings mechanism is a tax-efficient approach to augment your savings and achieve your retirement objectives.

Benefits

- Contributions to superannuation can be tax-efficient, especially if they are made through a salary sacrifice arrangement or if they are tax-deductible. This is because these contributions are essentially made with pre-tax funds.
- Superannuation fund earnings are subject to a special concessional tax rate, whereas earnings from investments outside of superannuation are generally taxed at higher marginal tax rates.
- Withdrawals from superannuation after the age of 60 are tax-free (unless from an untaxed fund).
- Superannuation can be employed to generate a tax-efficient income stream during retirement.

How it works

Superannuation is a savings method intended to help you save for retirement. Superannuation funds that comply with Australian laws receive substantial tax incentives, motivating you to save for your retirement. Your account balance typically includes contributions from your employer, your personal contributions, and earnings from investments. Most superannuation funds enable you to choose how your funds are invested, offering a range of investment options including local and international shares, property, and fixed interest. As different asset classes carry varying levels of risk, it's essential to make prudent choices and seek advice.

Contributions

Starting from July 1, 2022, there is no requirement to meet the work test for your super fund to accept contributions you make or that your employer makes to your super if you are under the age of 75. For those aged 67 to 74 when making a personal super contribution from July 1, 2022, the work test or work test exemption is only necessary if you wish to claim a tax deduction for those contributions. If you are under 67 years old, there is no work test requirement to claim a tax deduction for personal contributions. After reaching the age of 75, contributions are generally not accepted unless they are mandated employer contributions under an agreement or award or downsizer contributions.

Contributions to superannuation are categorised with caps applicable to each category. The most common caps include the concessional contribution cap and the non-concessional contribution cap. Small business owners who sell eligible business assets can also benefit from a capital gains tax cap.

Concessional Contributions

There is a limit on the amount of concessional contributions allowed each year. Concessional contributions typically consist of pre-tax income contributions (such as Superannuation guarantee and salary sacrifice) and contributions for which a tax deduction has been claimed (personal deductible contributions). Exceeding your concessional contribution cap incurs tax and interest penalties. Any unused amount of your concessional contribution cap can be carried forward for up to five years.

Concessional contribution tax for high-income earners

If your 'income' exceeds the high-income threshold, some or all of your concessional contributions may be subject to additional tax. 'Income' includes taxable income, reportable fringe benefits, total net investment loss, and non-excessive concessional contributions.

Non-concessional contributions

Non-concessional contributions primarily comprise after-tax income contributions, such as personal non-deductible contributions and spouse contributions. There are limits and maximum bring-forward limits to consider when making non-concessional contributions. Excess non-concessional contributions and associated earnings are subject to penalty tax if not withdrawn.

Bring forward rule

If you are under 75 years old on July 1st of a financial year and have a balance below the transfer balance cap, you may trigger the 'bring-forward' rule to make larger contributions. This rule allows you to group non-concessional contributions made over a three-year period, adding it to the current year's cap. The bring-forward rule is triggered if you exceed your annual non-concessional limit and is not indexed for the next two years. The contribution amount depends on your total superannuation balance and potential legislative changes.

Conditions of release

To access your superannuation balance, you must meet a condition of release. You automatically meet it at age 65. Before 65, you can meet it by ceasing gainful employment after turning 60 or retiring after reaching your preservation age. Limited circumstances may allow for release before age 65, including disability, severe financial hardship, or compassionate grounds.

Key considerations

• Monitor your superannuation contributions to avoid exceeding contribution caps.
• Assess whether superannuation provides a better after-tax return than non-superannuation investments based on your marginal tax rate.
• Contributions to superannuation remain preserved until you meet a condition of release.
• Be aware of fees for superannuation contributions and transfers between funds.
• Keep an eye on potential changes to superannuation legislation by the government in the future.

References

You may wish to refer to the following websites for further information about superannuation:

- www.moneysmart.gov.au
- www.ato.gov.au

Affluens