



EOFY 2020 – TIPS FOR SUPERANNUATION

As we approach the end of the 2020 financial year, amid the chaos of the coronavirus, it is important not to forget long term planning for retirement. We would like to highlight some superannuation related issues worth considering.

We are here to assist you and if you have questions, or you would like to explore opportunities in your own year-end superannuation planning, please don't hesitate to contact us.

Things to consider:

1. Your **total superannuation balance** as at 30 June 2019. This is the total of all your superannuation accounts and may influence whether you can make non-concessional (after tax) contributions to super, your eligibility to access the 'three-year bring forward' opportunity, your eligibility to receive Government co-contributions and a tax offset for any spouse contributions you may make.
2. If planning to make **additional superannuation contributions**, remember they need to be made before 30 June. Consider making contributions well in advance at the end of the year to ensure they are received by your super fund on time. Contributions made by electronic funds transfer, e.g. BPAY, are not deemed to have been made until the money appears in your super funds bank account. This could be some days after you initiate the transfer.
3. **Concessional contributions** include contributions made by an employer such as the 9.5% superannuation guarantee, salary sacrifice contributions and personal tax-deductible contributions. The maximum concessional contributions that may be made this financial year is \$25,000.
4. **Concessional contribution carry-forward**. If your total superannuation balance (i.e. the balance of all your superannuation accounts added together) as at 30 June 2019 was less than \$500,000 and you did not use all your concessional contribution cap in 2019-/20, you may be able to carry the unused portion of last year's cap forward and contribute in in the current financial year.
5. The rules around making **personal tax-deductible contributions** have been relaxed significantly. Most people, not just the self-employed, are able to claim a tax deduction for their personal contributions. But limits apply and steps need to be taken to ensure a tax deduction is valid.
6. **Non-concessional contributions** are contributions made from after-tax income and from other savings. The maximum amount that can be contributed this year is \$100,000, or up to \$300,000 using the three year bring forward rule. However, if your total superannuation balance at 30 June 2019 was more than \$1.6m, you cannot make any non-concessional contributions. If it was

between \$1.4m and \$1.6m, the maximum that can be contributed under the three-year rule has been scaled back.

It is also worth remembering that if you made non-concessional contributions of more than \$100,000 in either 2017-18 and/or 2018-19, the amount you may be able to contribute this financial year will be limited.

7. Do you hold **insurance through your super**? If so, recent changes to legislation may result your insurance cover being cancelled if certain circumstances arise and you don't take certain steps.

In generally terms, if your super account is inactive (i.e. a contribution or rollover is not made within a period of 16 months), or if your account balance falls below \$6,000, your insurance will be cancelled.

However, you may retain your insurance by either making a contribution to your super fund, or by making an election to retain your insurance.

8. Planning to buy your first home? Voluntary contributions made to super since 1 July 2017 may be withdrawn for the purpose of buying your first home under the **First Home Super Saver Scheme**.

9. If your total income is less than \$53,563 and you derive at least 10% of your income from employment or self-employment, and you make a personal non-concessional contribution to super, you may be eligible to receive a **Government co-contribution** of up to \$500.

10. People who make a contribution to super for their spouse may be eligible to receive a **spouse contribution tax offset** of up to 18% of the amount contributed, subject to a maximum offset of \$540. A spouse contribution tax offset is available where an eligible spouse for whom a contribution is made has income of less than \$40,000.

11. With the introduction of limits people may now have in a superannuation pension account, the ability to **split contributions between spouses**, and therefore move towards equalising super, is more important than ever.

There is still time to split up to 85% of concessional contributions made in the 2018-19 financial year. Concessional contributions made in 2018-19 may be transferred to a spouses account after 30 June 2020.

12. On 1 July 2017 we saw the introduction of the **'transfer balance cap'**. In simple terms, this restricts the maximum amount that may be transferred to a super pension or income stream (these terms are interchangeable). The transfer balance cap is currently \$1.6m.

13. There are occasions when concessional or non-concessional contributions to super exceed the permissible limits. If this happens, the Australian Taxation Office will issue an **excess contribution determination**. If you receive a

determination it is essential you contact us immediately, even if you think an error has been made. There are strict timeframes that must be adhered to in order to minimise penalties.

14. Are you running a small business and have sold the business or any of the businesses assets? If so, you may be eligible to take advantage of the **small business capital gains tax concessions**. Not only do these concessions save you tax, but may enable you to make additional contributions to superannuation without being constrained by the concessional and non-concessional contribution caps.
15. As at 30 June 2019, the Australian Taxation Office was holding almost \$21 billion of **lost and unclaimed superannuation** on behalf of Australians. We can assist you in searching for any lost superannuation you may be entitled to.
16. One of the attractions of superannuation is the ability to draw a very tax effective income once you retire. However, to receive favourable tax treatment, a **minimum amount of income** must be drawn each year. Check to ensure you have drawn the prescribed minimum level of income before the end of the financial year.
17. Superannuation pensions are not solely reserved for those who have retired, but people who are approaching retirement age may also draw a pension from their super under '**transition to retirement**' rules.

It is important that once a person receiving a transition to retirement pension meets a superannuation 'condition of release', such as retiring, even if before the age of 65, they inform their super fund or adviser immediately. Doing so may reinstate some of the taxation advantages that were lost from 1 July 2017.

18. The money a person has in superannuation does not automatically form part of their estate when they pass away. There are a number of options available for a person to nominate a beneficiary to receive their super in the event of death, however, the rules are complex. We encourage all clients to make appropriate **death benefit nominations**. If a nomination was made in the past, it is important to review it from time-to-time to ensure it remain current and up-to-date.
19. **Early access to superannuation**. If you are unemployed, or have experienced a reduction in working hours, or in turnover (if you are a sole trader), of 20% or more as a result of the coronavirus, you may be able to access up to \$10,000 from your superannuation account, tax-free. You will need to apply for early release before 30 June 2020. If you require assistance in determining your eligibility, please contact us.

The topics covered in this email are a snapshot of some of the things to consider as we head towards the end of the 2020 financial year.

If you have any questions about the issues raised, or if you would like us to review your circumstances or simply check that everything is on track, please don't hesitate to contact Gant Financial Management on 08 8363 0666 or email us admin@gantfm.com.au to arrange an appointment.

Best regards,

The teams at Gant Financial Management and Centrepoint Alliance

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