INFORMING

YOU

3 STRATEGIES

FOR BOOSTING YOUR SUPER

Looking to grow your nest egg faster? Depending on where you're at in your life and career, there are different ways to build your super by making voluntary contributions.

1. Claim tax deductions on contributions

There was some great news announced in 2017 for Australian workers when the rules changed around who could make personal tax-deductible super contributions. Before 1 July 2017, you could only claim a tax deduction for personal contributions if you either weren't an employee, or received less than 10% of your total income from an employer. This meant that generally only self-employed people or those living on an investment income stream, such as retirees, could benefit.

But since this restriction has been removed from 1 July 2017, you may be able to claim these deductions regardless of your employment situation. This means that any personal contributions you make throughout the financial year, including a bonus or redundancy payout, could potentially reduce your taxable income.

Personal contributions for which you claim a tax deduction are treated as concessional contributions and are taxed at only 15% (rather than your marginal tax rate) in most cases. A $25,000 cap applies to your concessional contributions each year before more tax applies – this cap includes all contributions made by your employer as well as your personal tax-deductible contributions. There are also age restrictions and requirements for those under 18 or over 65 that you need to be mindful of.

How it works

To claim a tax deduction for your personal contributions, you'll need to complete a Notice of Intent to Claim form and submit it to your super fund within the required timeframes. Your fund must then confirm with you in writing before you can claim a deduction on your tax return for the specified financial year.

It's also important to note that you need to submit any Notice of Intent to Claim form prior to rolling or cashing money out of your super fund, or using it to commence an income stream – if you don't then the deduction you'll be able to claim may be significantly reduced (in some cases to nil).

There are also further restrictions depending on the fund to which you're contributing – for instance, you can't claim deductions on personal contributions to certain untaxed and defined benefit Government super schemes.

2. Make a downsizer contribution

From 1 July 2018, a new government initiative will allow Australians aged 65 or older to boost their super if they downsize their home. So if you sell your home which was your main residence on or after 1 July 2018, you may be able to use the sale proceeds to make a 'downsizer contribution' of up to $300,000 to super.

Normal contribution eligibility rules (for example having to meet a work test from age 65 or not being able to make voluntary contributions from age 75) don't apply to downsizer contributions.

The best part is, this amount won't count towards your nonconcessional contributions cap, so if eligible, you can still boost your super by making a $100,000 after tax contribution during the same financial year. It will however still count towards the transfer balance cap set at $1.6 million.

If you are a member of a couple and are both aged 65 or over, you and your spouse may both be eligible to make a downsizer contribution – as long as you each contribute no more than $300,000 from the sale proceeds, and the combined total of both contributions isn't more than the sale proceeds you received from selling your home.

How it works

To be eligible for a downsizer contribution, you need to have owned your home for at least 10 years before selling it, be 65 or older and the proceeds are from selling your principal residence. You also need to put the money into your super within 90 days of settlement. Some other conditions apply – and your Centrelink entitlements may also be affected – so talk to your financial adviser about whether this is the best option for your situation.

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3. Contribute after retirement age

Over 65 but still working? In this case, you can make voluntary super contributions while under age 75, as long as you satisfy the 'work test' . This means you need to have already been gainfully employed for at least 40 hours within 30 consecutive days to make voluntary contributions for that financial year.

Voluntary contributions could include personal contributions and salary sacrifice contributions that you arrange for your employer to pay. You'll also continue receiving compulsory Super Guarantee contributions from your employer while you're still working. When claiming a deduction for personal superannuation contributions you also need to be mindful of the superannuation caps.

In the 2018 Federal Budget, the government announced a proposal to relax the work test rules for retirees from 1 July 2019. If the proposal is legislated, Australians aged 65 to 74 will be able to keep making voluntary contributions for 12 months after the end of the financial year when they last satisfied the work test – as long as their total super balance is less than $300,000.

How it works

Your super fund will accept most voluntary contributions, for up to 28 days after your 75th birthday , as long as you have already satisfied the work test for that financial year.

After that date, your fund will only accept compulsory employer contributions – so in many cases you won't be able to boost your super further once you leave the workforce. However, as discussed above, downsizer contributions can be made at any time, regardless of age (although you must be at least age 65) or work status.

1 No work test or upper age limit applies when making downsizer contributions. Contributions made for you by your spouse cannot be made once you reach age 70, regardless of work status.

2 Contributions made for you by your spouse cannot be made once you reach age 70, regardless of work status.

GET THE RIGHT ADVICE

Before making any major decisions about your super, it's important to check in with your financial adviser. They can review your overall financial strategy to make sure you're on track towards reaching your retirement goals.

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