Smart super strategies
what you need to know

Superannuation can be one of the most tax effective ways to build your retirement nest egg. There are a range of strategies you can consider to boost your super savings.

Consolidate your super
If you've had several jobs since you started working, you may have money in more than one super fund. Having more than one super fund means you could be paying unnecessary fees and insurance premiums on each one. Combining all your super funds into one can make your super easier to track, simpler to manage and ensure you save on fees and charges.

Keep in mind, certain lost super accounts with balances of less than $4,000 (increasing to $6,000 from 31 December 2016), as well as the balances of members not able to be identified by their fund, have been automatically drawn together by the Australian Tax Office (ATO) to reduce your account fees. In addition, from 1 July 2013, the Government started paying interest linked to the Consumer Price Index (CPI) on all lost super accounts reclaimed from the ATO. So your super savings will keep pace with inflation.

Track down your super
One way to find out where your super is located is by checking the statements you have received from each of your previous super funds or by calling your past employers. If you can't trace your super, it may be classified as 'lost'. Your super may be considered 'lost' if:

- Your fund is not able to contact you and no rollovers or contributions have been made in the past year.
- You've been a member for at least two years and no contributions or rollovers have been made in the previous five years.

You can check whether any unclaimed or lost super belongs to you by visiting the ATO SuperSeeker website ato.gov.au/super or calling 13 28 65. You'll need to provide your name, date of birth and tax file number. You might find a handy sum to boost your super!

Do some housekeeping and make sure your super fund has your tax file number (TFN). This will make it easier to find lost super, move your super between accounts and receive super payments from your employer or the Government. Once you've tracked down all your super, you need to decide which super fund best suits your personal and financial circumstances. Before deciding on a fund, compare the costs and benefits of each.

There are three important things to consider before moving your super:

Will an exit fee be deducted from your investment?
Are there any investment and/or taxation implications?
Will you need to make new insurance arrangements?

Salary sacrifice
Currently, most employees receive super guarantee (SG) contributions from their employer of at least 9.5%[1] of their salary. Adding to these contributions directly from your gross (pre-tax) salary can be an easy and tax-effective way to top up your super. This is called salary sacrifice.

Some of the benefits of salary sacrifice are:

- It's simple, automatic and consistent.
- You do not pay income tax on salary sacrifice contributions to super (up to certain limits). Your super contributions are generally taxed at 15%, which may represent a significant tax saving, particularly if you are on the highest marginal tax rate of 49% (including the Medicare levy of 2% and Budget Repair Levy of 2%).[2]
- By making a salary sacrifice contribution, you can reduce your taxable income.
- The difference in taxation may mean more money is available to invest in super than if you were to receive the money as after-tax income and then invest it.

You should check with your employer first to see whether salary sacrifice arrangements are available and that adopting a salary sacrifice strategy will not reduce the amount of SG contributions your employer pays on your behalf.

Take advantage of the government co-contribution
To encourage you to save for your retirement, if your total income[3] is $36,021 pa or less and you make a $1,000 after-tax contribution to super, the Government will contribute up to $500 to your super.

The amount of government co-contribution reduces by 3.33 cents for every dollar you earn over $36,021 pa and ceases once your total income reaches $51,021 pa. When determining eligibility for the Government co-contribution, earnings that are salary sacrificed to super and reportable fringe benefits come under the definition of total income. If you fit within the income thresholds outlined above, and satisfy some other conditions, contributing to your super from your after-tax salary before the end of financial year may be a great way to top up your super, and get an extra boost from the Government.

Your financial adviser can give you the latest updates and more information on this opportunity.

Split super contributions with your spouse
If you have a spouse, you are permitted to transfer certain super contributions from the previous financial year over to the super account of your partner. If the receiving spouse is over preservation age at the time of the split request, he or she must declare that they are not retired. Splits cannot be done once the receiving spouse turns 65. You can do this every year, once the financial year has ended. Up to 85% of taxable (concessional) contributions such as SG, salary sacrifice and personal deductible contributions made to super can be transferred.

There are several reasons for considering splitting super with your spouse:

- There may be potential tax advantages to withdrawing the money from two super accounts rather than one (between preservation age and age 59).
- Transferring contributions from the younger spouse to the older spouse could enable you to access more retirement money earlier.
- Transferring money from the older spouse to the younger spouse could enable the older spouse to receive more Age Pension by delaying the date at which their super becomes an assessable asset.
- Splitting superannuation monies does not count towards the receiving spouse's contributions cap.[4]
- From 1 July 2017, a $1.6 million 'transfer balance cap' applies to limit the total amount of super savings you can use to commence retirement income streams (where earnings on assets are tax free). Because this cap applies on an individual basis, equalising super balances between members of a couple can ensure that both members stay below this cap.

Super splitting is not offered by all funds, so you will need to check whether your fund offers this feature.

The benefits of spouse tax offsets
Another potential tax concession is a spouse tax offset. This strategy may be available if you are a taxpayer and a member of a couple that makes after tax contributions to your spouse's super. To take advantage of this strategy, your spouse will need to be under age 65 or aged 65 to 69 and have satisfied a work test during the financial year. You can open a super account in your spouse's name and make contributions to that account from your after-tax pay. You can also make these contributions to your spouse's existing super account.

If your spouse's assessable income, reportable employer super contributions and reportable fringe benefits are under $10,800 pa[5], you will receive an 18% tax offset on the first $3,000 you contribute on their behalf, up to $540 pa. The offset operates on a sliding scale and phases out to zero once their income exceeds $13,800 pa.

A word on contributions caps
When considering any super strategy, it's important to assess how much you are contributing to super in any one financial year. The government has set annual limits – known as contributions caps, which are changing substantially on 1 July 2017.

The annual contributions caps as of 1 July 2016 are:

- $30,000 per financial year (indexed) for pre-tax (concessional) contributions if aged under 49 at 30 June 2016, or $35,000 (non-indexed) if aged 49 or over at 30 June 2016
- $180,000 per financial year for after-tax (non-concessional) contributions or $540,000 over a three-year period if you are under 65 any time during the financial year you make the contribution.

From 1 July 2017, the contributions caps will change as follows:

- The pre-tax (concessional) contributions cap reduces to $25,000 per financial year, regardless of age.

- The after-tax (non-concessional) contributions cap reduces from $180,000 to $100,000 per financial year. The three year bring forward will still be available for eligible people but will reduce to $300,000. In addition, under the new rules no more after tax contributions can be made once your total super balance reaches $1.6 million.

How we can help
It's important to keep your financial adviser informed about any super contributions you make so they can ensure you don't exceed these caps. Contributions over these caps can be taxed at up to 49%.[6] In assessing your concessional contributions you will need to include all employer superannuation guarantee contributions from any employers over the year and any salary sacrificed amounts, as well as personal contributions for which you can claim a tax-deduction.

1 The SG rate will be 9.5% until end of financial year 2020/21. After that it will increase gradually each financial year by 0.5% until it reaches 12% on 1 July 2025.

2 Individuals with income greater than $300,000 pay tax on some or all non-excessive concessional contributions at 30%. This income threshold will reduce to $250,000 from 1 July 2017.

3 Total income equals assessable income plus reportable fringe benefits plus reportable employer super contributions, less business deduction (other than for work related expenses or personal super contributions).

4 The original contribution made does count towards the members' concessional contributions cap.

5 From 1 July 2017, the spouse income threshold for the spouse tax offset will increase to $37,000. A partial offset may apply where the low income spouse earns less than $40,000 pa.

6 Contributions made in excess of your concessional contributions cap from 1 July 2013 are effectively taxed at your marginal tax rate, plus an interest rate charge. You are also able to withdraw up to 85% of any excess concessional contributions made from 1 July 2013. For non-concessional contributions, excess contributions made on or after 1 July 2013 are able to be withdrawn along with associated earnings. If withdrawn, the excess non-concessional contributions are not subject to any tax and the associated earnings are taxed at your marginal tax rate

Speak to us for more information

If you have any questions, please speak to your Red Diamond Wealth Pty Ltd Financial Adviser.

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