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Take Control - With Your Independent Financial Adviser

# Countdown to super deadline

The clock is ticking for investors who want to take advantage of the more generous tax concessions available in super this financial year. As of July 1, new rules come into effect that will reduce contribution limits.

Until then, individuals can make a non-concessional (after-tax) contribution of up to $540,000 under the bring-forward rule which allows you to bring forward two years' contributions. That means couples can put up to $1.08 million into super while the opportunity lasts.

From July 1, the cap on non-concessional contributions will reduce from $180,000 a year to $100,000 or $300,000 under the bring forward rule.

But this is only one of the wide-ranging super changes you need to plan for if you want to take full advantage of the existing rules.[i]

## Concessional contribution caps

Tighter rules will also apply to tax-deductible concessional contributions. This financial year contributions of up to $35,000 are permitted for people aged 50 and over, or $30,000 for those under 50. But from July 1, the limit will be $25,000 for everyone. These limits include the 9.5 per cent compulsory super contributions made by your employer.

These changes to the concessional and non-concessional caps provide an incentive to take full advantage of the existing rules if you can, while you can. This is especially so if you have an opportunity to make a large non-concessional contribution funded by an inheritance, the sale of a property or other assets.

Before you bring forward a sale or take any other action, be aware that there could be tax or other considerations to take into account so it's important to get advice.

There is an added incentive for people who already have large account balances to act soon though. That's because from July 1 non-concessional contributions won't be allowed if your super balance is higher than $1.6 million.

## Pension account limits

Super has two phases, an accumulation phase where you grow your retirement savings in a concessional tax environment, and pension phase where no tax is paid on earnings or withdrawals. Under existing rules, there are no limits on the amount of money you can hold in super. But from July 1, a maximum of $1.6 million will be allowed to be held by a retiree in a tax-free pension account.

Non-concessional contributions before July 1 that push the balance above $1.6 million will be able to stay in super. But individuals who have more than $1.6 million in a pension account on that date will be required to put the excess back into an accumulation account where earnings are taxed at 15 per cent, or take the excess out of super entirely.


## Transition to retirement tax changes

Earnings in a transition to retirement (TTR) pension will lose their tax exemption from July 1. All earnings on income and capital gains will be taxed at the concessional super rate of 15 per cent. Capital gains on assets held for longer than 12 months will be taxed at the discount rate of 10 per cent.

If you are one of the many people using a TTR strategy in combination with salary sacrifice to boost your super, the loss of the tax exemption may reduce the total amount you accumulate for retirement. While TTR pensions are still attractive, you may like to talk to us about additional ways to boost your retirement savings.

## High earners to pay more tax

Individuals who earn $300,000 or more currently pay tax at a rate of 30 per cent on their super contributions, instead of the 15 per cent everyone else pays. But from July 1, the higher tax rate will apply to incomes of $250,000 or more.

If you expect to earn between $250,000 and $300,000 next financial year, you may want to make the most of your allowable concessional contributions before June 30.

## Issues for SMSFs

The new rules will create some headaches for self-managed super funds. For starters, SMSFs won't be able to segregate assets between pension and accumulation accounts.

SMSFs can, however, reset the cost base of assets that are reallocated from the retirement phase to the accumulation phase before July 1. The good news is that any tax-free capital gains can be locked in, with capital gains tax only payable on gains made after the reset.

The bad news is that capital losses can't be carried forward, so it's important to value all fund assets before the deadline.

The reforms that will be ushered in on July 1 amount to the biggest shake-up of super in a decade. While we have covered most of the major changes in this article, there are other measures that could affect your retirement planning.

***As always, if you would like to discuss how the changes might affect you and what you can do to prepare, don't hesitate to call.***

### Things to do before June 30:

- Make the most of the existing contribution rules to maximise the amount you hold in the tax-efficient super environment.
- If you have more than $1.6 million in a pension account, remove the excess to avoid potential penalties.
- Be careful to plan the timing of contributions with other caps and account balances.
- If you have a self-managed super fund, review and value assets to make sure you don't exceed your caps.
- Contact us to make the most of any opportunities before June 30 and to prepare for the changes ahead.

i www.ato.gov.au/Individuals/Super/Super-changes/

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