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canberra times: q&a

Q 1: Do you have a list of financial strategies to consider implementing before the end of financial year?

W.T., Jerrabomberra

A 1: There are a number of useful strategies to consider which we will summarise below:

1. Make a personal after tax contribution to super to take advantage of the Government co-contribution – if you earn less than $61,920 pa from eligible employment or carrying on a business, then a personal after tax super contribution (maximum $1,000) will receive some Government contribution. The maximum Government contribution of $1,000 will be made where earnings are less than $31,920.
2. Make a personal after tax super contribution for your spouse and receive a tax rebate – if your spouse earns less than $10,800 during the 11/12 financial year then a maximum $3,000 personal after tax contribution will attract an 18% tax rebate to the contributor, being $540. The maximum rebate reduces to nil as earnings exceed $13,800 in the year.
3. Consider contributing any end of financial year bonuses into super as salary sacrifice – this means tax payable on bonus is effectively 15% (rather than at your marginal tax rate), however you need to be aware of the lack of access to these funds after the contribution is made. You also need to be aware of staying within concessional contribution limits (usually $25,000 but up to $50,000 for those age 50 or over)
4. Consider moving assets from outside super, into superannuation – this means future earnings will be taxed at maximum 15% rather than your marginal tax rate. Be aware of sell costs, access to capital and staying within non-concessional contribution limits (usually $150,000 in a year but can be up to $450,000 in one year with the bring forward rule).
5. Make personal tax deductible super contributions – applicable for self employed people or substantially self employed people (essentially those not working). This way tax of 15% is payable on earnings contributed to super rather than at your marginal tax rate. Be aware of accessibility issues and contribution limits.
6. Make personal tax deductible super contributions (for eligible people) to reduce capital gains tax assessment on sale of an asset during the financial year – be aware of accessibility issues again and contribution limits.
7. Take out life and total and permanent disablement insurance cover through superannuation – this means when premiums are paid they can be done effectively with pre tax dollars. Some tax issues to be understood should a benefit be paid.
8. Delay where possible withdrawing a lumpsum from super – ideally until reaching age 60 where withdrawals from a taxed source are tax free.

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9. If you sold an asset during 11/12 financial year which has created a capital gain, then consider selling an asset that would create a capital loss, if you were thinking about selling for other reasons anyway – selling this asset in the same financial year would allow the loss to offset the capital gain to reduce total tax payable.
10. If you were considering selling an asset which would create a capital gain, then consider deferring the sale until the new financial year – this would effectively allow you to pay any capital gains taxes at least 12 months later.
11. Consider prepaying 12 months worth of interest on an investment loan – this brings forward greater tax deductions into this financial year.
12. Consider prepaying 12 months worth of income protection insurance premium – this brings forward greater tax deductions into this financial year aswell.
13. Consider prepaying private health insurance premiums to retain the tax rebate for another year.

There are many strategies to consider which can be of benefit to you. A Certified Financial Planner can work through the various options available as conditions will apply to each which need to be understood to make sure they are appropriate in your situation.

Phil Thompson is a certified financial planner and authorized representative of Rise Financial Pty Ltd (ABN 86350987645), AFSL 311718, an Approved Financial Planning Association Professional Practice. Answers should be used as a general guide only and professional advice should be sought before making investment decisions.

Send your financial questions to phil@risefinancial.com.au

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