XPRESS SUPER
Your Simpler SMSF Solution!

Benefits of Contributing to Superannuation Early

Is It Right For You?

Since the **reduction of the personal contribution caps**, it is now more important than ever to start saving early. The earlier in life you start contributing into superannuation, the more it will be worth in years to come. Through the principle of compounding interest, when you start putting money into super is just as, if not more, important than how much you deposit.

For example, putting in the money saved from skipping a morning coffee each day (say $5 a day) over a period of 50 years into a working teenager's superannuation account could be worth an extra $180,000 (based on an interest rate of 2.5% p.a.), due to **the power of compounding interest.**

An incentive to contribute into super is of course the tax rate capped at 15% as opposed to paying tax at the individual's marginal tax rate outside of the fund.

Deterents:

- Most of the younger generation are more focused on saving for a deposit on their first home or meeting day to day living expenses or ensuring a certain lifestyle is met.
- Money cannot be accessed until a condition of release is met (this could be 40-50 years away).
- Having large debts outside the fund, it may be more beneficial to focus on paying these off.

ATO Incentives To Grow Your Super:

Super Co-contributions

Voluntary after-tax contributions of $1,000 a year paid into the super accounts of low or middle-income earners can earn a $500 co-contribution from the ATO. This may be of interest to women taking time out of the work force to care for young children. The eligibility will be determined when you lodge your personal return. Please note that eligibility phases out once your income reaches a certain level ($52,697 for 2018/19).

Low Income Super Tax Offset (LISTO)

From 1 July 2017, the government introduced the low-income super tax offset (LISTO) – formally known as the low income super contribution (LISC) to help low-income earners save for retirement. If you earn income up to $37,000, you may be eligible to receive a refund into your superannuation account. This is on the tax paid on your concessional superannuation contributions up to a cap of $500. This means that most low-income earners will pay no tax on their super contributions.

Carry-forward of Unused Concessional Contributions

From 1 July 2018, if your Total Superannuation Balance (i.e. the total balance of all your superannuation funds) is less than $500,000 at the end of a financial year, then you will have the opportunity to start accumulating the unused portions of your concessional caps from previous years (up to 5 years' worth) in the following financial year, or future years.

The first year in which you can access unused concessional contributions is 2019/20.

The unused concessional contributions cap amounts relate to one or more of the previous five financial years, and the earliest unused cap is applied first. Unused concessional contributions cap amounts not utilised after five years can no longer be carried forward; that is, you lose the opportunity to take advantage of the unused portions for those previous years going back further than five years.

If your spouse (husband, wife, de facto or partner) is a low-income earner or not working, chances are they're accumulating little or no super at all to fund their retirement.

Spouse Contributions Tax Offset

This tax benefit is designed to help couples save for their retirement by providing an 18% tax offset on eligible spouse contributions up to a limit of $3,000 in super contributions. A spouse can make a larger super contribution than $3,000, however the maximum tax offset available is $540.

Contributions Splitting

Another way to increase your partner's super is by splitting up to 85% of your before-tax super contributions with them, which you either made or received in the previous financial year.

An individual can make concessional (before-tax) contributions to a super fund and arrange to split those contributions with a spouse. You can transfer to your spouse up to 85% of a financial year's 'taxed splittable contributions'. This includes employer and or salary-sacrifice contributions, as well as personal tax-deductible contributions.

If an individual is planning to split super contributions with a spouse, then the receiving spouse must be under the age of 65 and not retired.

A contribution splitting form must be lodged with the ATO and if you are still intending to claim a tax deduction for any personal concessional contributions that have been split, then the notice of intention to claim a tax deduction must be lodged before the contributions splitting form.

This incentive can be of particular interest to women who may have reduced their work hours or taken a break from the workforce overall. Reduced work hours can result in a significant balance difference between spouses, so this is a great way of keeping both balances growing. Another advantage is that you don't need to find extra funds to make the contribution.

Others Perks of Contributing into Super:

Claiming Deductions for Personal Super Contributions

From 1 July 2017, the eligibility rules to claim a personal tax deduction for contributions made into super have changed. For contributions made prior to 1 July 2017 you couldn't claim a deduction if, during the income year, you obtained 10% or more of the total of the following as an employee:

- your assessable income
- your reportable fringe benefits
- your total reportable employer superannuation contributions.

From 1 July 2017 this 10% rule was abolished and means that personal pre-tax contributions can be claimed as a deduction in your personal tax return, up to the concessional contribution cap
of $25,000, whether you earn income as an employee or not. These contributions are generally taxed in the fund at a rate of 15% and the deduction in your personal return can help reduce any personal tax liabilities.

In summary, it all boils down to your personal circumstances. You need to make your money work for you!

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