PRP | PITCHER RETIREMENT PLAN

PITCHER PARTNERS

Superannuation Contributions

September 2018

Favourable tax concessions on contributions and investment earnings make superannuation a tax effective structure to save and invest for your retirement. Making extra contributions to super can increase the benefits available to you and, due to the effect of compounding, earlier contributions can reap larger rewards over time.

However careful planning is required because significant tax penalties may apply if contribution limits are exceeded.

Contributions

The main advantages of contributing to super are:

Increase your wealth and pay less tax

Contributing to super will provide you with a higher standard of living in retirement and save tax by accruing wealth in a lower taxed structure.

Protect your assets

Superannuation provides a secure environment to build your wealth, as assets held within super are generally protected by law in the event of litigation or bankruptcy.

Contribution limits

Concessional and non-concessional limits apply. Currently, unused contribution limits cannot ordinarily be credited to a future year.

From 1 July 2018, members will be able to make 'carry-forward' concessional contributions if they have a total superannuation balance of less than $500,000. They will be able to access their unused concessional contributions on a rolling basis for five years.

Concessional contribution limits

Concessional contributions are super contributions where a tax deduction is available to the contributor and generally 15% tax is paid in the superannuation fund. Typically, concessional contributions would include:

- Contributions made by your employer such as superannuation guarantee or salary sacrifice contributions; or
- Contributions made by you directly where you qualify for and claim a personal superannuation contribution deduction.

Concessional contributions generally give rise to an immediate tax saving. You would also expect to benefit from the lower tax rates on future investment earnings available through a super fund.

Concessional Contribution Limit – 2018/2019	
Age on 30 June 2018	**Limit**
All ages	$25,000

Non-concessional contribution limits

Non-concessional contributions are super contributions you make on an after tax basis. No tax deduction is available however no tax is paid on contributions within limits in the super fund.

Non-concessional contributions are generally a means of accruing wealth faster by using the lower tax rates on future investment earnings available through a super fund.

Non-concessional Contribution Limit – 2018/2019	
Age at any time in the financial year	**Limit**
Under age 65	$100,000*
65 years and over	$100,000
* Individuals under age 65 at any time in the financial year may be able to contribute up to $300,000 if certain conditions are met.	
^ Individuals under age 65 at any time in the financial year may bring forward contributions of up to three times the standard non-concessional contribution limit across a fixed three year period, subject to the table below.	
Total superannuation balance on 30 June 2018	**Limit**
$0-$1,399,999	$300,000
$1,400,000-$1,499,999	$200,000
$1,500,000-$1,599,999	$100,000
$1,600,000	Nil
Note: If you triggered the bring-forward period in 2016/2017 but did not fully use your bring-forward amount before 1 July 2017, transitional arrangements will apply.	

Age restrictions

Most people can contribute to super, however from age 65 a work test must be satisfied before contributions can be accepted by the super fund.

From age 75 contributions to super are generally prohibited.

Age at the time of the contribution	Acceptance conditions
Under age 65	No conditions
Age 65 but less than 75	The member must be gainfully employed for a minimum of 40 hours in any 30 consecutive day period of the year contribution.
Age 75 or over	Only certain types of mandated employer contributions can be accepted

Contributions tax & surcharge

Concessional contributions are generally taxed at 15% in the super fund. A surcharge may apply if your income plus concessional contributions exceeds $250,000.

Income* & Concessional Contributions	Contributions Tax	Surcharge	Total
$0-$250,000	15%	Nil	15%
$250,001+	15%	15%	30%
* Income = taxable income + reportable fringe benefits + total net investment loss less some super lump sum payments.			

Where surcharge applies, contributions within allowable limits still provide tax advantages and should be considered as a part of your overall retirement planning.

If your income + concessional contributions > $250,000 the concessional contributions above $250,000 will be subject to surcharge.

Excess contributions

Concessional contributions in excess of prescribed limits are effectively taxed at an individual's marginal rate, plus a penalty to account for the deferral of tax payable.

You may elect to release excess concessional contributions made after 1 July 2013 from super. If you do not elect to release your excess concessional contributions the excess will be treated as non-concessional contributions and counted against your non-concessional contribution limit.

As a general rule if excess concessional contributions do not impact on your non-concessional contribution plans there is no compelling need for the excess concessional amount to be released from super, unless needed to pay the tax assessment.

Non-concessional contributions in excess of prescribed limits will need to be removed from the Plan (in addition to an associated earnings amount) or be subject to excess non-concessional contribution tax (currently 47%).

Preservation

The main disadvantage of contributing to super is "preservation." Preservation means that access to your super is restricted, generally until you 'retire' or attain age 65.

You should consider the possible impacts of preservation before extra contributions are made.

Further information

Please ask your regular Pitcher Partners contact or any of the contacts below for further information.

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Fund

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