Jacaranda Financial Planning

End of Financial Year
What you need to know

With year-end fast approaching, make the most of this year's end of financial year opportunities. This flyer provides an overview of eight key super strategies to help boost your retirement savings while potentially saving on tax.

If you're thinking about investing more into super, it is important to talk to your financial adviser as certain eligibility conditions need to be met before benefiting from any of these strategies.

1. Salary sacrifice contributions – don't exceed the concessional contribution cap

Caps apply when making superannuation contributions, with differing thresholds applying depending on the type of contribution being made. Employer contributions, salary sacrifice contributions and personal deductible contributions are known as 'concessional contributions'. In the 2023/2024 financial year, these are capped at $27,500.

Tips:

- Are you close to the cap, and may possibly exceed it this financial year? Confirming the position and then notifying your employer's payroll team to either cancel or reduce your final salary sacrifice contributions may be advisable.
- Check both your pay slips and the contributions received by your superannuation fund for a more complete picture.

2. Personal deductible contribution

If your salary sacrifice and employer contributions are short of the $27,500 cap for the 2023/2024 financial year, you may wish to make a personal contribution to superannuation, which can then be claimed as a tax deduction. By making a deductible contribution, you can boost your retirement savings whilst having the opportunity to reduce taxable income, or perhaps offset any capital gains tax liability.

You do this by using your personal cash reserves to make the contribution, and you'll also need to complete an 'Intention to claim a tax deduction' form and ensure this is lodged with, and acknowledged as being received by, the relevant superannuation fund.

Tips:

- In order to validly claim a tax deduction, you'll need to have sufficient Australian-sourced taxable income in order to offset the deduction.
- Did you know? If your total superannuation balances across all your funds are less than $500,000 as of 30 June 2023, you may also be able to contribute unused concessional contributions cap amounts from financial years 2019, 2020, 2021, 2022 and 2023, and claim this total contribution as a tax deduction in your current year's income tax return.

Please note: we strongly advise that you contact us if you're considering a contribution of this nature, to ensure the correct dollar amount is contributed based on your financial circumstances.

3. Government co-contribution

Did you know that if your total income is less than $43,445 in 2023/2024 and you make a personal after-tax superannuation contribution of $1,000, then the Government will top-up your superannuation by a $500 'co-contribution'?

Earn more than that? You may still be able to receive a partial co-contribution if your total income is between $43,445 and $58,445.

Tips:

- There are a few more steps to assess eligibility to receive a co-contribution. Aside from the total income thresholds already highlighted, you must:
  - receive at least 10% of your assessable income from employment or self-employment,
  - be less than 71 years of age as at 30 June 2024,
  - not have exceeded your non-concessional contributions cap of $110,000,
  - have a total superannuation balance below $1.9 million as at 30 June 2023,
  - lodge your tax return for this financial year plus also not have held a temporary visa at any time during the financial year (unless you are a New Zealand citizen or it was a prescribed visa).
- Upon lodging your tax return, this information will be used to enable the relevant co-contribution amount to be calculated. It will then be deposited into the same fund that used to make the after-tax contribution.

4. Spouse contribution

Where your spouse has income of less than $37,000 for the financial year, making an after-tax (non-concessional contribution) into their superannuation account of $3,000 provides a $540 tax offset in your current year's income tax return, whilst also building your spouse's superannuation account. A great way to build your spouse's super.

Tips:

- If your spouse's income is less than $40,000, then a partial offset can be received.
- Check your spouse's total superannuation balances across all their funds as of 30 June 2023. Where this exceeds $1.9 million, they will not be eligible to receive a spouse contribution.

5. Super splitting

There may be a benefit to 'evening-up' your superannuation balances with your spouse, particularly if one of you has a total superannuation balance approaching $1,900,000. By 'superannuation splitting', you can re-allocate up to 85% of the concessional contributions you've made or received in the previous financial year to your spouse's superannuation account.

Tips:

- To be eligible to receive a 'split' amount, your partner must be below preservation age, or be between preservation age and 65 - and also not retired.
- Only certain forms of contributions can be 'split' - superannuation guarantee contributions, salary sacrifice and personal deductible concessional contributions.
- The transfer must be made within 12 months of the end of the current financial year for the previous year's contributions.
- Not all funds offer superannuation splitting – so its best to check before making any 'split' decisions!

6. Receive / make minimum pension payments

An annual piece of advice – make sure you have received / made your minimum account-based pension payments before 30 June 2024. Failure to do so will generally invalidate the tax benefits of an account-based pension, which may create a host of unwanted outcomes that are definitely best avoided.

Tips:

- It is mandatory to withdraw minimum pension payments from your retirement income stream. The minimum amount is calculated based on your account balance as at 1 July each year and your relevant minimum % which is age dependent. Failing to meet the minimum pension payment requirement, may result in losing the tax-free status within the account.
- It's a good idea now to be thinking about the level of account-based pension income you'll need in the next financial year and ensure you will continue to meet the minimum pension payments requirement.

7. Consider possibly starting an account based pension

Should you have ceased an employment arrangement after turning 60, commencement of an account-based pension may be useful to supplement your income needs.

Tips:

- Unlike a superannuation accumulation account, an account-based pension account has no tax applied at the fund level for both income and capital gains. Being over the age of 60 also means the pension income can be received by you tax-free.
- As there are many aspects to consider when it comes to establishing an account-based pension, it is important to speak to us and obtain advice beforehand.

8. Re-contribution strategy

In the year you have stopped work, it may be useful to withdraw monies from superannuation and re-contribute them. If you are less than 75 years of age you can potentially withdraw up to $330,000 and re-contribute this as a non-concessional contribution.

The effect may be a reduction of tax should your adult, non-dependent/non-interdependent children, receive your superannuation death benefit. You may have heard us colloquially describe this in times past as a form of 'death tax'.

Tips:

- To be able to engage in a re-contribution strategy, you'll need to be eligible to make non-concessional contributions back to the relevant fund. Determining this can have its complexities.
- When examining the appropriateness of any strategy, it is important to remember that taxation outcomes shouldn't be the sole or dominant reason to engage in a strategy.
- As there are many aspects to consider when it comes to engaging in a re-contribution strategy, it is important to speak to us and obtain advice beforehand.

Jacaranda Financial Planning and Perpetual Private advice and services are provided by Perpetual Trustee Company Limited (PTCo), ABN 42 000 001 007, AFSL 236643. This publication has been prepared by PTCo and contains information contributed by third parties. It contains general information only and is not intended to provide you with advice or take into account your objectives, financial situation or needs. You should consider with a financial adviser, whether the information is suitable for your circumstances. The information is believed to be accurate at the time of compilation and is provided by PTCo in good faith. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Any reference to the Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries. Published in May 2024.

Call 1800 402 610
Email admin@jacarandafp.com.au
Web jacarandafp.com.au

JACARANDA
FINANCIAL PLANNING