Smarter CashFlow Solutions – "Your trusted Adviser"

Your Client Newsletter June 2020

10 EOFY housekeeping tips for your super

With 2019/20 turning out to be a financial year like no other, it is easy to forget about keeping your super and tax affairs in order. But that is a big mistake, as all your paperwork will still be needed when it comes time to lodge your tax return – coronavirus or no coronavirus.

To help ensure you have maximised the tax benefits available within the super system, here is our top 10 tips for this year's financial year-end (EOFY).

1. Lodge your super withdrawal request (if you must)

If you are suffering financial hardship because of COVID-19, ensure you lodge your request to make a withdrawal from your super account before 30 June. Under this temporary measure announced by the federal government, you can seek early release of $10,000 from your super account this financial year (and an additional $10,000 from 1 July 2020).

You will need to submit a separate application by 24 September 2020 if you want to access the additional $10,000 next financial year.

2. Make your contributions before 30 June

If you want to have a super contribution counted in the 2019/20 financial year, you need to ensure your super fund receives it by 30 June 2020. This is particularly important if you plan to claim a tax deduction for any of your contributions (see section below).

The key date for making contributions is not when you make the payment, but when it is **received by your super fund**. Even though many banks and financial institutions now offer instant payments, electronic fund transfers and BPAY can take several days to appear in your super account.

Need to know – For employers

If you are an employer, you only receive a tax deduction for making employee Superannuation Guarantee (SG) contributions in the same financial year the SG contributions are received by the super fund. Ensure you make SG payments well before 30 June if you want to claim a deduction for them in the 2019/20 financial year.

Contributions are considered paid ***when the super fund receives them****. Missed payments may attract the super guarantee charge (SGC), which is not tax-deductible. For more information, see the ATO website here.*

For more on super contributions, contact us.

3. Check your super caps before contributing

There are annual caps on how much you can contribute into your super account, so it's essential to monitor the total amount of both your concessional (before-tax) and non-concessional (after-tax) contributions **across all your super accounts** before making a pre-30 June contribution.

Check whether any payments intended for the 2018/19 year slipped into this financial year to ensure you do not breach your contribution caps.

Need to know

The key contribution caps for 2019/20 are $25,000 for concessional (before-tax) contributions and $100,000 for non-concessional (after-tax) contributions.

Do not forget your concessional contributions include all your employer's SG contributions, salary sacrifice amounts and any personal contributions for which you plan to claim a tax deduction.

It's also a good idea to confirm with your employer when the electronic payment of contributions (e.g. salary sacrifice and SG amounts) will be made to your super fund, so you know whether or not it will hit your super account by 30 June.

Your employer is not required to make their SG contributions for the April to June quarter until **28 July 2020**, which is in the next financial year. Many employers will be struggling to make cashflow and employment payments due to the COVID-19 lockdown, so they may not make their SG contributions as promptly as normal.

4. Watch your Total Super Balance

If you plan to make a non-concessional (after-tax) contribution into your super account before financial year-end, it is essential to check what your Total Superannuation Balance (TSB) was on 30 June 2019.

Good to know

Your TSB is used to track and limit the amount of savings you can have in the super system. A TSB consists of all your accumulation phase and retirement phase super interests, plus any rolled over super benefits.

If your TSB was $1.6 million or more on 30 June 2019, you are not eligible to make any non-concessional contributions during 2019/20 without triggering an excess contribution and paying additional tax on the contribution.

5. Consider making a personal (or voluntary) tax-deductible contribution

If you have the available funds, now could be a good time to make a one-off contribution into your super account. Since 1 July 2017, eligible Australians aged under 75 have been able to claim a tax deduction if they make a personal contribution into their super account up to the concessional contributions cap. The contribution is open to employees, the self-employed and investors.

A personal super contribution can be worthwhile considering, as earnings on your super are taxed at a maximum rate of 15%, whereas earnings on personal investments outside the super system are taxed at your marginal income tax rate (up to 45%).

Super tip

While most people think about making extra personal super contributions from their employment or self-employed income, don't forget it's also possible to make super contributions from investment income (including dividends or rental income) and capital gains.

6. Ensure you pass the work test

If you are over age 65, it is essential to check you can meet the conditions of the work test before making additional super contributions prior to 30 June 2020. The work test applies if you are aged 65 and above when you decided to make a voluntary personal contribution into your super account. Under the work test rules, you must have been 'gainfully employed' for at least 40 hours in 30 consecutive days during 2019/20 if you wish to make a personal super contribution.

Once you reach age 75, you will not be able to make non-concessional or personal tax-deductible contributions, regardless of your work status. You can only claim a tax deduction for super contributions you make before the 28th day of the month following the month you turned 75.

Need to know

As part of the 2019/20 Federal Budget, the government announced that from 1 July 2020 people aged 65 or 66 would be able to make voluntary personal super contributions without having to meet the work test. This proposal has yet to be legislated.

7. Check your insurance cover

On 1 April 2020, the rules changed on when default insurance cover is provided to members by their super fund. Some members will have lost their default insurance cover if they did not fill in the necessary paperwork to opt-in for insurance.

Now is a good time to check if you are still covered. Under the new rules, insurance is only available to new fund members aged under 25 or with a balance below $6,000 if you opt-in. If you do not have insurance cover, consider contacting your us to discuss fixed fee - insurance protection.

8. Consider using carry-forward concessional cap amounts

Super fund members who did not use all their $25,000 concessional (before tax) contributions cap in 2018/19 are permitted to carry-forward the unused amount on a rolling basis for five years, so think about making a concessional contribution before 30 June 2020.

The 2019/20 financial year is the first financial year in which you can use any of an unused concessional contributions cap from a previous year, so it could be a good way to boost your super balance.

Generally, the same rules apply to carry-forward contributions as normal concessional (before-tax) contributions, including the age-based limits. This means individuals under the age of 65 – and those aged 65 to 74 who pass the work test or work test exemption rules – can make carry-forward contributions.

Need to know

*If you are thinking about taking advantage of the carry-forward rules this financial year (2019/20), it is essential to check **your Total Super Balance (TSB) was under $500,000** on 30 June 2019.*

9. Think about boosting your spouse's super balance

Given the financial turmoil currently being experienced by many Aussie households, the approaching financial year-end could mean now is a good time to analyse how your finances are going. Your retirement savings are a key area to review.

If the balances of you and your partner's super accounts are very different, consider submitting a request to split some of your super contribution with your spouse to even them up. Requests to split need to be made by 30 June of the financial year following the year the contributions were made, so you can split some of your 2018/19 super contributions if you lodge a request with your super fund by 30 June 2020.

If your spouse has a total income below $37,000, it is also worth considering contributing into their super account to help boost their retirement savings – and possibly earn yourself a tax deduction.

Eligible contributions into your spouse's super account of up to $3,000 may provide you with a tax offset on your tax bill of up to $540. If your spouse's total income is up to $40,000, you can still qualify for the offset, but the amount will be less.

Need to know

In the 2019/20 Federal Budget, the government proposed lifting the age limit for receiving spouse contributions from the current limit to age 74. In addition, where the receiving spouse is age 65 or 66, they would no longer need to meet the work test. Both of these proposals are yet to be legislated.

10. Set up your salary sacrifice arrangement

If your super balance has taken a hammering due to the recent investment market volatility – but you are lucky enough to still have secure employment – now is a good time to talk to your employer about setting up a salary sacrifice arrangement for 2020/21.

Salary sacrifice is an arrangement where part of your before-tax salary is paid into your super account rather than being paid to you as take-home pay and it can be a tax-effective way to boost your super account.

To be valid, a salary sacrifice arrangement is more effective when set up before the start of the new financial year, so ensure you have the arrangement fully documented before 30 June.

If you enjoyed reading this article, why not share it?

We are here to "help you make confident financial decisions", give me a call on 0418 332 225 to discuss anything you find of interest or need financial help with.

Keep Safe!

Sincerely,

Robert

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TFA Standard Member of the Tax Practitioners Board (TPB)

06/2020

Some changes this financial year in financial markets:

- Tax incentives for first home buyers, new home builds & large property extensions.
- Jobkeeper & Jobseeker Government assistance packages
- Low income earners are entitled to a superannuation tax offset
- PYS legislation could impact your super & associated insurance if you are not contributing to Superannuation. It could lead to your superfund being sent to the ATO and held in the lost super register.
- Catch up contributions allow eligible Australians to put more into super
- Super co-contribution scheme threshold changes.

We help our superannuation clients, consolidate, re-invest, accumulate their superannuation, help retirees reaching retirement phase & into a pension. This may also include life insurance advice and structuring.

Our services include:

Accumulation projections, investment risk assessment, goals-based accumulation & contribution strategies & review of your goals and performance. Estate planning & advice can save your estate thousands of dollars.

We also offer fixed fee remuneration service models away from the traditional % margin & commission-based structures. If you would like to discuss your transition to a fee for service model, please call me.