Future Financial Planning

# WELCOME TO OUR WINTER EDITION OF FFP NEWS

Welcome to Future Financial Planning News - Winter 2022 Edition.

As the post-pandemic economic recovery continues to take shape, the last few months have certainly been busy ones. With the 2022-23 Federal Budget being handed down, an interest rate rise, continual Covid and Influenza outbreaks and a wind of change sweeping across the country following the Federal Election results seeing swings toward climate friendly MPs.

A temporary cut to fuel excise, help for home buyers, extended relief for retirees and a one-off cost of living payment to millions of Australians were a few of the budget proposals, however we will now wait and see how these proposals will affect Australian households and whether the new government will make changes to these proposals.

Labor leader Anthony Albanese has now been sworn in as prime minister and the Australian Parliament is now set for an unprecedented shake-up after millions of voters put climate first at the ballot box.

With many Australians feeling the pinch of the rising costs of living, all eyes will now be on what can be achieved by the incoming government .

We also find ourselves nearer to the end of the financial year, therefore inside this issue of FFP News we take a look at a super checklist for EOFY and the super system changes taking place as of 1 July 2022.

Please also note our office will be closed on **Monday, 13th June 2022** for the Queen's Birthday public holiday;

Kind regards,
Rhys, Michelle and Michelle


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# Your Super Checklist for EOFY

## The lead up to 30 June can be a good time to maximise tax benefits that may be available to you inside super.


**If you are keen on taking advantage of potential tax benefits available inside super, the lead up to 30 June could be a good time to act.**

**Certain contributions, which we cover over page, may have the ability to reduce your taxable income, or see you pay less on investment earnings.**

**There will be things to consider, including some new super rules which come into effect on 1 July 2022, as these may affect what you choose to do this financial year.**

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# Your Super Checklist for EOFY - continued…..

## Contributions that could create tax benefits:

### 1. Tax-deductible super contributions

You may be able to claim a tax deduction on after-tax super contributions you've made, or make, before 30 June this year.

To claim a tax deduction on these contributions, you'll need to tell your super fund by filling out a 'notice of intent' form. You'll generally need to lodge this notice and have the lodgement acknowledged by your fund, before you file a tax return for the year you made the contributions.

Putting money into super and claiming it as a tax deduction may be of particular benefit if you receive some extra income that you'd otherwise pay tax on at your personal income tax rate (as this is often higher).

Similarly, if you've sold an asset that you have to pay capital gains tax on, you may decide to contribute some or all of that money into super, so you can claim it as a tax deduction. This could reduce or at least offset the capital gains tax that's owing.

### 2. Government co-contributions

If you're a low to middle-income earner and have made (or decide to make before 1 July 2022) an after-tax contribution to your super account, which you don't claim a tax deduction for, you might be eligible for a government co contribution of up to $500.

If your total income is equal to or less than $41,112 in the 2021/22 financial year and you make after-tax contributions of $1000 to your super fund, you'll receive the maximum co-contribution of $500.

If your total income is between $41,112 and $56,112 in the 2021/22 financial year, your maximum entitlement will reduce progressively as your income rises.

If your income is equal to or greater than the higher income threshold $56,112 in the 2021/22 financial year, you won't receive any co-contribution.

Also, you'll generally need to have at least 10% of your assessable income coming from employment/business sources to qualify.

### 3. Spouse contributions

If you're earning more than your partner and would like to top up their retirement savings, or vice versa, you may want to think about making spouse contributions.

If eligible, you can generally make a contribution to your spouse's super and claim an 18% tax offset on up to $3,000 through your tax return.

To be eligible for the maximum tax offset, which works out to be $540, you need to contribute a minimum of $3,000 and your partner's annual income needs to be $37,000 or less.

If their income exceeds $37,000, you're still eligible for a partial offset. However, once their income reaches $40,000, you'll no longer be eligible for the offset, but can still make contributions on their behalf.

### 4. Salary sacrifice contributions

Salary sacrifice is where you choose to have some of your before-tax income paid into your super by your employer on top of what they might pay under the superannuation guarantee.

Salary sacrifice contributions (like tax-deductible contributions) are a type of concessional contribution and these are usually taxed at 15% (or 30% if your total income exceeds $250,000), which for most, means you'll generally pay less tax on your super contributions than you do on your income.

If you're in a financial position to set up a salary sacrifice arrangement, you may want to do this before the start of the new financial year, so talk to your employer or payroll division to have the arrangement documented.

## Important things to consider:

- Contributions need to be received by your super fund on time (ie, before 30 June) if you're planning on claiming a tax deduction or obtaining other government concessions on certain contributions when you do your tax return.
- There are limits on how much you can contribute. If you exceed super contribution caps, additional tax and penalties may apply.
- Currently, if you're aged 67 to 75 and wanting to make voluntary contributions, a work test applies unless you meet an exemption. Changes to the work test are coming.
- The government sets general rules around when you can access your super, which typically won't be until you reach your preservation age and meet a condition of release, such as retirement.

Super rules can be quite complex, so if you would like more information regarding what caps and limits apply to you, speak with us today.

# Super changes that could affect you from 1 July 2022

## A number of changes to the super system could create opportunities for Australians of all ages.

## Here's a rundown of what you need to know:


**In February 2022, the Federal Government legislated a number of proposals that it previously put forward in its May 2021 Federal Budget. The changes announced will come into effect on 1 July 2022.**

**Here's a snapshot of what will change, with further details below:**

- More people will be eligible for contributions from their employer, under the Superannuation Guarantee (SG), as the minimum income threshold of $450 per month will be removed.
- Work test requirements for those aged 67 to 75 will be softened and only apply to people who want to claim a tax deduction on voluntary super contributions they may be making.
- More people will be able to make up to three years' worth of non-concessional super contributions in the same financial year, with the cut-off age increasing from 67 to 75.
- More people will be eligible to make tax-free downsizer contributions to their super from the proceeds of the sale of their home, with the eligibility age reducing from 65 to 60.
- First home buyers, who meet certain criteria, will be able to withdraw an additional $20,000 in voluntary contributions from their super, to put towards a deposit on their first home.

## How could you benefit from the changes:

### 1. Compulsory (SG) contributions from your employer

Under the government's Superannuation Guarantee (or SG for short), you currently need to earn at least $450 per month to be eligible for compulsory super contributions from your employer. However, from 1 July 2022 that minimum income threshold will be removed.

This means that even where an eligible employee earns less than $450 in a calendar month, there is now an obligation on the employer to make contributions.

### 2. The work test

Currently, people aged 67 to 74 can only make voluntary contributions to their super if they've worked at least 40 hours over 30 consecutive days in the financial year, unless they meet an exemption.

From 1 July 2022, the work test will no longer apply to contributions you make under a salary sacrifice arrangement with your employer, or personal contributions that you don't claim a tax deduction for.

The work test however will still need to be met if you wish to claim a tax deduction on personal contributions.

Under the new rules, the work test can be met in any period in the financial year of the contribution. This is different to the current rules, where the work test must be met prior to contributing.

### 3. Non-concessional super contributions

Currently, those under the age of 67 at the start of the financial year can make up to three years of non-concessional super contributions under the bring-forward rules.

From 1 July 2022, the cut-off age will increase to 75.

The bring forward rules allow you to make up to three years of non-concessional contributions in a single year if you're eligible. This means you could put in up to three times the annual cap of $110,000, meaning you could top up your super by $330,000 within the same financial year.

How much you can make as a non-concessional contribution will depend on your total super balance as at 30 June of the previous financial year.

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# Super changes - continued…..

## 4. Downsizer contributions

The age Australians can make tax-free contributions to their super from the proceeds of the sale of their home, which needs to be their main residence, will be reduced from 65 to 60. (Note, there is no upper age limit for downsizer contributions and no requirement to meet the work test.)

The maximum downsizer contribution amount of $300,000 per eligible person and other eligibility requirements remain unchanged. For couples, both spouses can make the most of the downsizer contribution opportunity, which means up to $600,000 per couple can be contributed toward super.

## 5. The First Home Super Saver Scheme (FHSSS)

The First Home Super Saver Scheme (FHSSS) aims to provide a tax-effective way for eligible first home buyers to save for part of a deposit on a home.
Under the scheme, you can withdraw voluntary contributions (plus associated earnings/less tax) from your super fund, with the current maximum withdrawal broadly $30,000 for each eligible individual.
From 1 July 2022, this withdrawal cap will increase to broadly $50,000 for each eligible individual.

## Other important things to note about your super:

- If you exceed concessional and non-concessional super contribution caps, additional tax and penalties may apply.

- The value of your investment in super can go up and down, so before making extra contributions, make sure you understand, and are comfortable with, any potential risks.

- The government sets general rules around when you can access your super, which typically won't be until you reach your preservation age (which will be between 55 and 60, depending on when you were born) and meet a condition of release, such as retirement.

If you would like more information or assistance understanding the changes to the super system, please call us today on 03 5622 3005.


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