Informing
YOU

Count

Drive your wealth strategy this EOFY

Here are some simple but powerful tips to consider when building your retirement savings. Which ones will you add to your to-do list before the end of this financial year?

1. Make personal concessional super contributions

What? Making personal pre-tax or 'concessional' contributions could be a great way to boost your super. However, concessional contributions (which also include contributions from your employer) are limited to $25,000 per financial year – and if you go over this cap, you may have to pay extra tax. But if you haven't reached the cap this financial year, it might be something to consider before 30 June.

Why? For most Australians, concessional contributions attract a tax rate of 15%[1] – as opposed to their marginal tax rate, which may be significantly higher. That's why these contributions can be an effective way to reduce your tax bill.

2. Receive the Super co-contribution

What? If your annual income is below $37,697 and you've made at least $1,000 worth of after-tax contributions to your super this financial year, the government will give your super an additional boost of $500. You may still be eligible for part of this co-contribution even if you earn up to $52,697 for the year, but the amount you're entitled to reduces once your income exceeds $37,697 or your contribution is less than $1,000.

Why? This initiative encourages Australians to focus on growing their super. Over time, these co-contributions could make a valuable difference to your super balance.

3. Check your eligibility for a low-income Super Tax Offset (LISTO)

What? If your annual income is $37,000 or less, you may be eligible for a Low Income Super Tax Offset (LISTO) of up to $500.

Why? This payment helps low income earners boost their super by effectively refunding the tax that applies to the first $3,333 of your concessional contributions.

4. Use your surprise earnings to make a personal concessional contribution

What? If you will soon receive a bonus at work this year, you may want to make a personal concessional super contribution and claim a tax deduction for the contribution. However, concessional contributions (which also include contributions from your employer) are limited to $25,000 per financial year.[2] Remember that generally bonuses cannot be salary sacrificed if you have already earnt the right to receive them. So making a personal concessional contribution with your bonus is a tax-effective alternative to salary sacrifice.

Why? Generally, work bonuses are taxed at your marginal rate (or higher if the bonus bumps you up to the next tax bracket). But if you use this extra money to make a personal concessional contribution (and as long as you don't exceed the $25,000 cap that applies to all concessional contributions), you can claim a tax deduction for that contribution, in turn, reduce your taxable income. Meanwhile, the amount you contribute into super is generally taxed at the low rate of 15%.[1]

5. Contribute to your spouse's super

What? If your spouse earns $37,000 or less a year and is under 65 – or is aged 65 to 69 and satisfies a work test – the first $3,000 you contribute to their super could earn you an 18% tax offset. This offset phases out as your partner's annual income reaches $40,000.

Why? You could potentially receive a tax offset of up to $540, while helping your partner build their super at the same time.

6. Equalise superannuation with your spouse

What? Once a year, you can split up to 85% of the concessional contributions (but no more than $25,000) made in the previous financial year, to your spouse's super account. This includes the superannuation guarantee contributions your employer made on your behalf. Your spouse needs to be under age 65 and must not have met a superannuation condition of release.

Why? Contribution splitting to a spouse is a long-term strategy to equalise the accumulation balances between spouses, which may help to maximise the combined total of superannuation a couple may have in the tax-free environment at retirement. The split amount does not count towards the caps of your receiving spouse. Remember to notify your super fund if you are planning to claim any of those contributions as a tax deduction before you split them to your spouse.

7. Gather your investment and work-related expenses

What? Your expenses related to producing assessable investment or work income – from uniforms and repair costs to accounting and advice fees – may be tax deductible.

Why? Claiming deductions for your investment and work expenses can help reduce your tax liability. So be sure to collect every receipt and report each expense in your tax return – and don't forget to include receipts for charitable donations as well.

8. Prepay where you can

What? You may be able to pay up to a year's worth of interest on an investment loan in advance. In many cases, you may also prepay your income protection insurance premiums for the year ahead.

Why? Income protection premiums and interest charges on investment loans that covers a period of 12 months or less[3] are generally tax-deductible in the income year they are paid.

9. Plan how you'll use your tax refund

What? If you're expecting a tax refund this year, consider using it to invest in your future.

Why? Many of us treat tax refunds as extra spending money. But there are many ways you can use your windfall wisely – from saving it for a home deposit to paying off your non-deductible debts, or simply putting it straight into your super.

Keep your wealth strategy on track.

To discuss these tips and make sure you're on track this year, speak to your financial adviser. They can make sure you have the right arrangements in place for your personal circumstances and lifestyle goals.

1 If your income for Division 293 purposes exceed $250,000 during a financial year, an additional tax of 15% may apply to all or part of your concessional contributions that do not exceed the concessional contributions cap.

2 If you go over the concessional contributions cap, you will be taxed on the excess amount on your marginal tax rate but receive a 15% non-refundable tax offset for the tax paid by the super fund on that contribution.

3 And the period ends before the next financial year.

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