



Under current rules, from July 1<sup>st</sup> 2012, those aged over 50 will be limited to concessional contributions of \$25,000 per annum.

The 2010 Federal budget announced a change to this position so that those over 50 with account balances under \$500,000 will be able to continue to contribute up to \$50,000 of tax effective (eg tax deductible & salary sacrifice) contributions to superannuation post 1<sup>st</sup> July 2012. This paper looks at some of the planning implications in the lead up to 2012.

### Strategy implications

Given the current situation, investors may want to investigate options in managing their account balances so to maximise future concessional contributions. Some of the potential strategies and considerations for clients in the lead up to July 2012 include:

**Contribution management** – Careful planning of personal contributions will be more important in the lead up to retirement to maximise the chances of qualifying for the higher contribution cap. Delaying contributions to a new financial year or allocating contributions to a spouse with a lower account balance will need to be considered under the new environment.

**Withdrawal & Recontribution** - Individual's may consider taking lump sum payments from a spouse with a high account value and redirecting these to the lower account value spouse.

The Government consultation paper outlined that historical pension payments and lump sums may be added back in determining the clients "true" account balance. Furthermore the paper outlined a range of commencement dates from when such payments would be added back. The effectiveness of the withdrawal/recontribution strategy will be highly dependent on when & if lump sums and pension payments are added back. Caution is also required given possible tax implications, contribution restrictions and limited access to superannuation.

**Superannuation splitting** – One of the most effective ways to maximise potential future eligibility is to utilise the contribution splitting rules. This strategy effectively allows a spouse with a high account value to roll over the previous year's concessional (tax deductible & employee based) contributions to the low account value spouse. The basic rules of the strategy are:

- Contributions can be split after the end of the year and at any time up to the end of the following financial year.
- You cannot transfer/split funds to a spouse who has met a condition of release (ie has immediate access to super).
- Non concessional contributions (such as personal contributions where no tax deduction is claimed) cannot be split with a spouse.
- Only 85% of the pre-tax contribution can be split.
- You must ensure that the trust deed of the SMSF allows the splitting of contributions.

Forward planning is critical to maximising your potential eligibility and we would strongly recommend that you speak to your adviser about the opportunities that may apply to your position.

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