



## Splitting superannuation contributions with your spouse

*The ability to split superannuation contributions with a spouse may be coming back into vogue following the budget announcement relating to the potential extension of the \$50,000 concessional contribution cap for members over 50 years old.*

Superannuation contribution splitting allows a member of a couple to rollover certain superannuation contributions from their account to their spouse. When first legislated in 2006 splitting of superannuation contributions was well received by industry observers as it provided a means by which to assist in managing Reasonable Benefit Limits (RBL's).

Although the removal of RBL's ended much of the hype, specific situations still arose (especially where there was a significant difference between spouses' ages) where splitting of contributions was still attractive. Some examples of these strategies include:

- Splitting contributions from the younger spouse to the older spouse as they were closer to being able to access the funds.
- It could also be useful to split to the younger spouse where centrelink age pension is a focus given funds held in superannuation for a spouse under age pension age didn't count towards the asset test. Therefore an older spouse may divert superannuation savings to the younger spouse so to increase the older spouse's centrelink entitlements.

### Budget announcement

The 2010 Federal Budget announced the continuation of \$50,000 concessional contributions (salary sacrifice/tax deductible) limit post 2011/12 financial year for those over 50 with an account balance under \$500,000.

Prior to this announcement, allowable concessional contributions for those over 50 were set to reduce to \$25,000 from the 2012/13 financial year therefore restricting the ability for many to build their superannuation in the years leading up to retirement.

It is important to note that the government has made no specific announcement on how they intend to determine the \$500,000 account balance and hence whether superannuation contribution splitting will even be effective. This said there is limited downside of undertaking superannuation splitting as it will enable the spouse with the larger superannuation account balance to continue to maximise their tax effective concessional superannuation contributions whilst still building family wealth through their spouse's superannuation account balance.



## Mechanics of splitting

In order to be able to utilise a superannuation splitting strategy the receiving spouse must be eligible. An eligible spouse is generally either married or in a de-facto relationship (and living together) with the person to whom is splitting their contribution.

To be eligible the spouse cannot have unrestricted access to their superannuation savings. An individual cannot split their contributions to a receiving spouse whom has satisfied any of the following superannuation conditions of release:

- Permanent retirement post preservation age
- Retirement upon attaining age 60
- Attaining age 65

These restrictions are set out to avoid arrangements where a younger spouse splits to the older spouse who immediately withdrawal these funds tax free.

## Getting the timing right

The contribution split occurs in the financial year following the initial concessional contribution. Hence a concessional contribution in the 2009/10 financial year can be split to a spouse in the 2010/11 financial year. Other important aspects to be mindful of with regard to superannuation contributions splitting include:

- Where a member intends to rollover their superannuation to another fund the split must be done prior to the rollover occurring otherwise the ability to split a contribution can be lost.
- Self-employed individuals will not be able to split a contribution until they have lodged their notice to claim a deduction on their concessional contribution.
- The election to split contributions can only be made once per year.
- The availability of contribution splitting is not a requirement and is based on the underlying superannuation provider. For Self Managed Superannuation Funds, the trust deed should specifically state the ability to split contributions.

## Concluding comments

Superannuation splitting will continue to be a powerful strategy to those where there is a significant difference between the ages of the spouses. The benefits of spouse contribution splitting may also be further be extended where one member's account balance is nearing \$500,000 and the other spouse's account balance is



significantly below this level. In such situation it may be worthwhile considering the use of splitting to maximize the chances of future legislative change.

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