

SUPERANNUATION CONTRIBUTIONS

Given the low tax environment within superannuation and the tax benefits that flow from it come retirement, superannuation remains a powerful investment vehicle.

But with no movement in the superannuation concessional contributions caps in the 2010/11 financial year, many may feel that superannuation as a strategy isn't as great as it used to be. While that is true in terms of the amount of money you can get into superannuation in a tax concessional form – we draw your attention to the strategy of making non-concessional contributions.

For those who are committed to the concessional \$25,000 contribution this financial year (being the contribution cap for individuals under the age of 50) and depending on cash-flow, you may consider making a non-concessional contribution equal to \$25,000 less your marginal tax rate before 30 June – to “top-up” your superannuation balance. Depending on your marginal rate, that could see you getting anywhere from \$38,750 through to \$46,250 per year into superannuation rather than being limited to \$25,000.

For example, if you are on the 30% tax rate – you could put \$25,000 as a concessional contribution / employer salary sacrifice + \$17,500 as a non-concessional contribution (being \$25,000 less 30%) = \$42,500 total.

The graph below highlights by employing a concessional and non-concessional contribution strategy (referred to as Combination), you are able to accumulate a significant amount into superannuation, despite the halving of the concessional contribution caps.

In addition, the Federal Government announced in the recent budget that the higher concessional contribution cap (currently for people over the age of 50) will be continued at \$25,000 above the general concessional cap for eligible individuals aged 50 and over with a total superannuation balance of less than \$500,000. This means that if you are currently over 50 years of age and have a superannuation balance of greater than \$500,000, you have only the 2011 and 2012 Financial Years to contribute \$50,000 towards your concessional contribution caps before you are subjected to the \$25,000 general concessional cap commencing 1 July 2012.

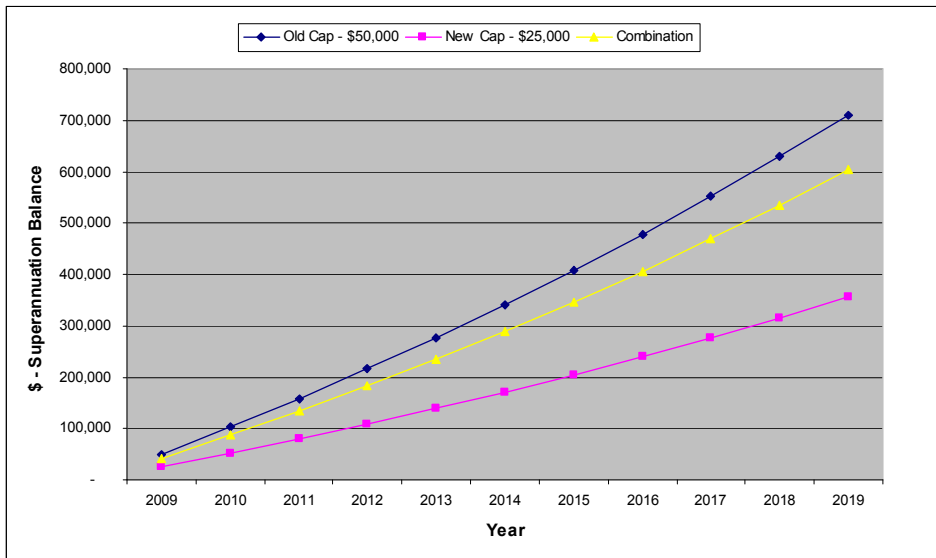
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(The above graph assumes a 30% marginal tax rate and 5% growth post-tax per year, ignoring contributions tax and tax on earnings.)

If you would like to discuss further the use of a non-concessional contribution strategy in your situation, please contact us.

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