Superannuation

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WHAT IS SUPERANNUATION?

Superannuation is an investment vehicle that receives special tax treatment aimed at encouraging you to provide for your retirement while you are fit and healthy and able to work.

WHY YOU SHOULD CONTRIBUTE?

Contributing to your Superannuation balance can in a number of ways be tax effective while also helping you to ensure you have enough money to retire comfortably with when the time finally comes.

THINGS YOU SHOULD CONSIDER BEFORE SELECTING A SUPER FUND

There are a number of things you should carefully consider before selecting a super fund for you:

- Fee structure.
- Insurance offered through that fund.
- Investment Performance.
- Investment options offered.
- The type of fund.

WHERE IS YOUR SUPER?

Not all your superannuation savings will be in the same place, many people have a number of superannuation accounts that they have contributed to over their lifetime and don't even know about. Generally, it is important to consolidate all your superannuation in one account in order to avoid paying a large number of fees, to maximise investment returns and to ensure that ALL your super is invested in line with your risk profile.

Before consolidating your super its best to seek advice concerning a number of things including your super fund type, investment choice, insurance cover as it may not be the best option given your personal situation and your current super fund.

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HOW DO YOU CONTRIBUTE?

There are a number of ways you can contribute to your Superannuation:

1. Concessional Contributions:

Concessional contributions are the funds which are deposited into your superannuation account from your before- tax income.

- Generally, your employer is required to contribute on your behalf by law; the amount of this contribution is equal to 9.5% of the amount you have earned.
- You can salary sacrifice a further amount of your salary into your superannuation account which is effective in reducing tax and boosting your superannuation balance.
- Concessional contributions generally make up the majority of your superannuation savings and are normally taxed at 15%.
- Concessional contributions reduce your taxable income and are capped at $25,000 per year (including employer contributions). Extra tax will be charged on any concessional contributions if this cap is exceeded.
- However, if you had less than $500,000 in your superannuation account on 30th June 2018, then from 1st July 2019 onwards, you will be able to 'catch up' on any previously unused portion of the concessional cap and therefore make greater deposits in future financial years.

2. Non-Conessional Contributions:

Non-concessional contributions are any funds deposited into your superannuation account from your after-tax income.

- Non-concessional contributions are capped at $100,000 per year.
- However, if you are aged 64 or under, you can use the 'Bring Forward Rule' to make a larger payment now. Although, this will reduce the future deposits you can make. By using this rule, you can contribute up to $300,000 in one financial year, but may not be able to make further deposits for another two years. (i.e. $300,000 over 3 years)
- Such contributions are not taxed when received by your superannuation fund, but will be subject to the standard superannuation tax rate of 15%.
- If the non-concessional contributions cap is exceeded, the excess amount will be taxed at 47%.
- If your total superannuation balance is greater than $1.6 million, you will not be allowed to make non-concessional contributions.

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3. Spousal Contributions:

Spousal contributions are non-concessional (after-tax) contributions which are made to your spouse's superannuation fund.

Eligibility

- You must be married or in a de facto relationship.
- You must both be Australian residents.
- The receiving spouse must be under the age of 65. If they are aged 65 to 75, they must meet work test requirements (must have been gainfully employed during the financial year for at least 40 hours over a period of no more than 30 consecutive days.
- To be eligible for the maximum tax rebate ($540), you need to contribute a minimum of $3,000 and your partner's annual income needs to be $37,000 or less.

Benefits

- If the above eligibility is met, you will able to make after-tax contributions to your spouse's superannuation account and claim an 18% tax offset on up to $3,000.
- If your partner's income exceeds $37,000, you will still be eligible for a partial tax offset if their income is less than $40,000.
- If you partner's income exceeds $40,000, you will still be able to make contributions on their behalf, but not be eligible for a tax rebate.

It should be noted that spousal contributions will contribute towards your partner's non-concessional contributions cap ($100k per year), and spousal contributions cannot be made once your partner's superannuation balance reaches $1.6 million or above as at 30th June of the previous financial year.

4. Small Business CGT Contributions:

Small business CGT (Capital Gains Tax) contributions are the proceeds from the sale of your small business which are deposited into your superannuation account.

There are four small business CGT concessions which can remove, reduce or defer the capital gains on disposing of an eligible business.

15-Year Exemption

- Allows you to disregard the entire capital gain upon the sale of a business.
- You must have continuously owned the business for the 15-year leading up to the CGT event.
- Reduces the amount of capital gain by 50%.
- The entity must be a CGT small business entity or a partner in a partnership that is a CGT small business entity. Otherwise, the net value of assets which the entity owns must not exceed $6 million.
- The business must satisfy the active asset test.

CGT Retirement Exemption

- Allows you to disregard a capital gain from the sale of a small business.
- The maximum amount of exempt gain is $500,000.
- The entity must be a CGT small business entity or a partner in a partnership that is a CGT small business entity. Otherwise, the net value of assets which the entity owns must not exceed $6 million.
- The business must satisfy the active asset test.

CGT Rollover Release

- Allows for a CGT rollover to take place where the proceeds from the sale of a business are used in the purchase of a replacement asset.

Benefits

- Small business CGT contributions are tax-free (given that you meet the above requirements, and the amount is less than the lifetime limit of $1,480,000). business are used in the purchase of a replacement asset.

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FS360 - What does being financially secure mean?

It means assessing your personal and business goals and developing a plan to achieve these.

We have identified 12 key areas to help you become financially secure:

1. Goals & objectives
2. Estate plan
3. Risk plan
4. Asset protection plan
5. Taxation plan
6. Debt plan
7. Retirement and succession plan
8. Business plan
9. IT Plan
10. Marketing Plan
11. Superannuation plan
12. Investment plan

Setting goals and objectives and having strategies to achieve these is an essential element of becoming financially secure. Once you know what you are aiming to achieve and how you are going to get there, we then need to make sure you have a strong foundation in place to protect you, your family and other investments.

A strong foundation needs an estate plan, risk, plan, asset protection plan, taxation plan and debt plan. With the foundations in place we can then work on the strategies to achieve your goals and objectives. It may seem out of order that we have the retirement and succession planat number 7 rather than 12. It is important that this is considered early and a plan is put in place. This assists to plan for this financially as well as keeping the communication lines open on the topic.

12 Steps *to becoming* Financially Secure

1. GOALS AND OBJECTIVES

Picture yourself in 10 years time... Where do you want to be? How are you going to get there? Being clear on your goals & objectives ensures you can develop a strategy to achieve them.

2. ESTATE PLAN

"What will happen when I'm gone?" Only assets owned in your name are covered by your will. Your Estate Plan protects your family from the potential threats that your Will does not.

3. RISK PLAN

Your Risk Plan addresses whether you need to save or insure to protect your family's financial security in the event of an injury, accident or death.

4. ASSET PROTECTION PLAN

An Asset Protection Plan makes sure your assets are owned in the right names or entities so you limit the risk of them being exposed to creditors.

5. TAXATION PLAN

A Taxation Plan structures your affairs so that you legally pay the least amount of tax and retain more of your income.

6. DEBT PLAN

A Debt Plan ensures your assets aren't over exposed to debt and structures your debt to maximise tax deductibility of the interest.

7. RETIREMENT PLAN

Retirement is setting the date when you can choose to stop work. Your Retirement Plan details the income and assets you need (in addition to superannuation) to retire and outlines the steps to get there.

8. BUSINESS PLAN

Your business value is the one asset or investment that you have full control over. How does the business cashflow, profitability and end value fit with your overall plan? Review the 10 characteristics of what makes a great business to help your business reach it's full potential.

9. I.T. PLAN

Your data, your email, your devices – they play a key role in the smooth running of your business. Backups, workflow and ongoing maintenance of technology can be a game changer.

10. MARKETING PLAN

Promoting your business to potential clients has many working parts. Generating enquiry and building your brand is key to your business success.

11. SUPERANNUATION PLAN

Many people miss out on the enormous tax benefits of superannuation. A Superannuation Plan will ensure you have a strategy to produce greater wealth at retirement.

12. INVESTMENT PLAN

An Investment Plan will increase your asset base, while focusing on preserving your capital and managing your risks, to meet your personal and financial goals.

We offer a free no obligation meeting to review your situation. Call us today on 1300 204 781 and take advantage of this valuable offer.