# It's time for a (tax) break

**DIY super**
John Wasiliev

With about three weeks to go before June 30, a steady stream of pre-financial-year-end advice for those with do-it-yourself superannuation is doing the rounds; standard fare, focusing on linking retirement saving with a tax break.

The major advice this year will be aimed at those aged 50 and over who have only this and the next financial year to make a tax-concessional contribution of up to $50,000 a year to super without any strings attached.

From July 1, 2012, only those who are 50 and older with super savings worth less than $500,000 will be entitled to make a $50,000 contribution. Anyone with more than $500,000 saved in super will see their maximum tax-concessional contribution entitlement halved to $25,000.

Financial planner Kevin Smith of Sydney-based The Professional Super Advisers says the halving of the tax-concessional contribution entitlement for the over-50s with more than $500,000 from July 2012 should encourage anyone in this position to make a last-ditch effort this year and the next.

"Getting set up properly for the new financial year is an important thing in itself," Smith says.

While year-end strategies can offer last-minute arrangements to boost super by saving tax, there is nothing like being well organised in advance. The 2011-12 financial year should be a milestone year to plan any super contribution maximisation strategy, especially for those over 50, he says.

Making a tax-concessional contribution to super carries an entitlement for the contribution to be claimed as a tax deduction.

Smith says that while one of the common year-end tips is to make salary sacrifice contributions into super, this is not really a last-minute strategy. The super rules require salary sacrifice arrangements – where a super member asks an employer to direct part of their salary into super – to be organised in advance.

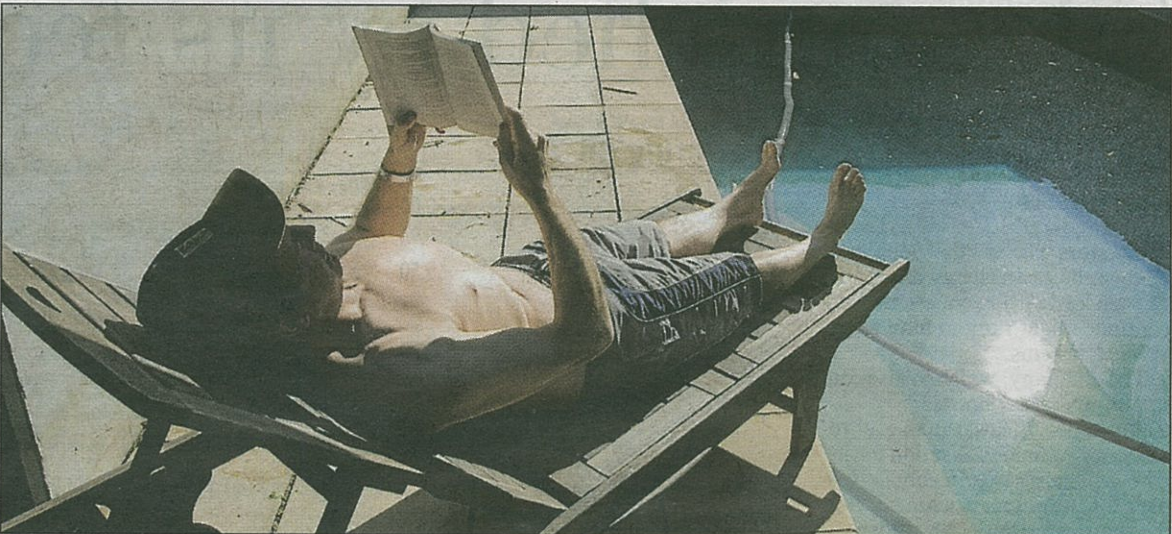
Whether it's through a salary sacrifice arrangement or by making personal tax-concessional contributions, Smith says super works as a strategy for those with personal tax rates in the 31.5 per cent bracket. His advice to clients who can afford to make super savings is to contribute amounts above $40,000 into super.

Another super-related strategy linked to the coming over-50s contribution rule change is splitting a super benefit with a lower-superannuated spouse. For those with super savings below $500,000 but who may be heading in that direction, spouse contribution splitting – where 85 per cent of a contribution is redirected to a spouse – is a way of keeping the $50,000 entitlement alive for longer.

If the lower superannuated spouse is also on a lower income, Smith says, the other super strategy to consider is the government co-contribution. To be eligible for the co-contribution of up to $1000, a fund member must earn income from work, although it can't be more than $61,920. The maximum government co-payment of $1000 is available to anyone on income of less than $31,290 so long as they contribute a personal after-tax contribution of at least $1000.

For income amounts above $31,290, the co-contribution entitlement reduces by $3.33 for every $100 of additional income before cutting out at $61,290. While there is less co-contribution the closer a member gets to the maximum, this also means less needs to be contributed in after-tax money to get a co-contribution.

Someone on income of $40,000 is entitled to a co-contribution of $731, so long as they make $731 in after-tax contributions.



There's nothing like being well organised for peace of mind. Photo: GLENN HUNT

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