Smart Super Strategies

2022/23

Smart Super strategies

Which super strategies may be right for you?

Below are some smart super strategies that may help you build and protect your wealth and maximise your retirement income.

To see which ones may suit you, start by reading the ‘If you’ column and, to find out more, you can click on the strategy name. Before implementing any of these strategies, we recommend you speak to your financial adviser.

Strategy	If you...	You may want to...	So you can...
1. Sacrifice pre-tax salary into super	Are an employee and would like to make regular concessionally taxed super contributions	Arrange for your employer to contribute some of your pre-tax salary or a bonus into super	• Increase your retirement savings • Pay less tax on your employment income
2. Make tax-deductible super contributions	Earn taxable income and would like to make concessionally taxed super contributions	Make an after-tax super contribution and claim a tax deduction	• Increase your retirement savings • Pay less tax on your income
3. Contribute to super and offset capital gains tax (CGT)	Make a taxable capital gain on the sale of an asset and want to use some of the money to boost your super tax-effectively	Make an after-tax super contribution and claim a tax deduction	• Increase your retirement savings • Reduce or eliminate CGT
4. Top up super with ‘catch-up’ contributions	Have not used up your concessional contribution cap each eligible financial year and have the capacity to make a larger concessionally taxed contribution this financial year	Make concessionally taxed super contributions exceeding the annual cap of $27,500 this financial year	• Maximise concessionally taxed contributions • Rebuild super after withdrawals or reduced contributions due to COVID • Reduce or eliminate CGT • Pay less tax on salary, bonus or employment termination payments
5. Split super contributions to your spouse	Have a spouse and could benefit from transferring some of your super to them	Split some of your concessionally taxed super contributions into your spouse’s account	• Grow your spouse’s super • Maximise tax-free retirement savings as a couple • Help to fund your spouse’s insurance policies • Maximise your social security entitlements
6. Top-up your super with help from the Government	Earn less than $57,017 pa (of which, at least 10% is from employment or self-employment) and want to grow your super	Make an after-tax super contribution	• Increase your retirement savings • Receive a Government co-contribution of up to $500

Smart Super strategies

Which super strategies may be right for you?

Strategy	If you...	You may want to...	So you can...
7. Boost your spouse's super and reduce your tax	Have a spouse who earns less than $40,000 pa and want to boost their super tax-effectively	Make an after-tax contribution into your spouse's super account	• Increase your spouse's retirement savings • Receive a tax offset of up to $540
8. Upsize your super with downsizer contributions	Are aged 60[1] or over and plan to sell a home you've lived in as your main residence	Use sale proceeds to make a super contribution	• Increase your retirement savings • Benefit from super tax concessions
9. Make insurance more affordable	Want to ensure your family and lifestyle are protected without impacting your daily cashflow	Arrange to hold your insurance within super	• Make premiums more tax-effective • Fund premiums from super account rather than bank account • Continue to ensure your family is protected in times of constrained cashflow
10. Convert business capital into tax-free retirement benefits	Are selling business assets and want to boost your super in the lead up to retirement	Claim available small business capital gains tax concessions and contribute some (or all) of sale proceeds into super	• Increase your retirement savings • Potentially pay less tax on the sale of business assets
11. Top up your income when cutting back work	Have reached your preservation age[2] and are thinking about cutting back your working hours but need to supplement reduced income	Use some of your super to start a 'transition to retirement pension'	• Receive a tax-effective income to replace your reduced salary • Use income to maintain existing lifestyle
12. Convert your super into a tax-effective retirement income	Have reached your preservation age and plan to retire	Use some of your super to start a 'retirement phase pension'	• Receive a tax-effective income • Supplement ongoing income from other investment or social security entitlements

1 The Government has introduced legislation in to Parliament to reduce the downsizer contribution eligibility age from 60 to 55. At the time of publishing this document, this proposal had not been made law.

2 Preservation age is 55 for those born before 1 July 1960 and gradually increases to 60 depending on date of birth.

Smart Super strategies

Sacrifice pre-tax salary into super

Contributing some of your pre-tax salary, wages or a bonus into super could help you to reduce your tax and invest more for your retirement.

How does the strategy work?

With this strategy, known as salary sacrifice, you need to arrange for your employer to contribute some of your pre-tax salary, wages or bonus directly into your super fund.

The amount you contribute will generally be taxed at the concessional rate of 15%[1], not your marginal rate which could be up to 47%[2]. Depending on your circumstances, this strategy could reduce the tax you pay on your salary, wages or bonus by up to 32%.

Also, by paying less tax, you can make a larger after-tax investment for your retirement, as the case study on the opposite page illustrates.

What income can be salary sacrificed?

You can only sacrifice income that relates to future employment and entitlements that have not been accrued.

With salary and wages, the arrangement needs to be in place before you perform the work that entitles you to the salary or wages.

With a bonus, the arrangement needs to be made before the bonus entitlement is determined.

The arrangement, which should be documented and signed by you and your employer, should include details such as the amount to be sacrificed into super and the frequency of the contributions.

Other key considerations

- Salary sacrifice contributions count towards the 'concessional contribution' cap. This cap is $27,500 in FY 2022/23, or may be higher if you didn't contribute the full cap of $25,000 in FY 2018/19, 2019/20 or 2020/21 , or $27,500 in 2021/22, and are eligible to make '**catch-up' contributions**. Penalties apply if you exceed the cap.
- You can't access super until you meet certain conditions.
- Another way you may be able to grow your super tax-effectively is to make **personal deductible contributions**.

Seek advice

A financial adviser can help you determine whether salary sacrifice suits your needs and circumstances.

[1] Individuals with income above $250,000 pa will pay an additional 15% tax on personal deductible and other concessional super contributions.
[2] Includes Medicare Levy.

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Smart Super strategies

Sacrifice pre-tax salary into super

Case study

William, aged 45, was recently promoted and has received a pay rise of $5,000, bringing his total salary to $90,000 pa.

He's paid off most of his mortgage, plans to retire in 20 years and wants to use his pay rise to boost his retirement savings.

After speaking to a financial adviser, he decides to sacrifice the extra $5,000 into super each year.

By using this strategy, he'll save on tax and have an extra $975 in the first year to invest into super, when compared to receiving the $5,000 as after-tax salary (see Table 1).

If he continued to salary sacrifice this amount into super, this could lead to William having an additional $150,394 in his super after 20 years (see Table 2).

Table 1. After-tax income vs salary sacrifice

Details	Receive pay rise as after-tax salary	Sacrifice pay rise into super
Personal super contribution	$5,000	$5,000
Less income tax at 34.5%[3]	($1,725)	(N/A)
Less 15% contributions tax	(N/A)	($750)
Net amount	$3,275	$4,250
Additional amount		$975

[3] Includes Medicare Levy. Based on FY 2022/23 tax rates.

Table 2. Super balances[4]

Year	No salary sacrifice	Salary sacrifice into super	Difference
Year 5	$279,725	$304,029	$24,304
Year 10	$416,168	$472,072	$55,904
Year 15	$593,558	$690,543	$96,985
Year 20	$824,183	$974,577	$150,394

[4] Assumptions: A 20-year comparison based on contribution of $5,000 pa of pre-tax salary on top of compulsory superannuation guarantee. Super investments earn a total return of 6.34% pa, balances shown at the end of 5/10/15/20 year periods. All figures are after income tax of 15% in super and capital gains tax (including discounting). These rates are assumed to remain constant over the investment period. William's salary of $90,000 pa is indexed to CPI. Difference does not take into account money potentially invested outside super if pay rise received as after tax salary.

Personal Deductible Contributions

Like salary sacrifice, making a **personal super contribution** and claiming a tax deduction may enable you to boost your super tax-effectively. There are, however, a range of issues you should consider before deciding to use this strategy.

Your financial adviser can help you determine whether you should consider making personal deductible contributions instead of (or in addition to) salary sacrifice.

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Make tax-deductible super contributions

By making a personal super contribution and claiming the amount as a tax deduction, you may be able to pay less tax and invest more in super.

How does the strategy work?

If you make a personal super contribution, you may be able to claim the contribution as a tax deduction and reduce your taxable income.

The contribution will generally be taxed in the fund at the concessional rate of up to 15%[1], instead of your marginal tax rate which could be up to 47%[2].

Depending on your circumstances, this strategy could result in a tax saving of up to 32% and enable you to increase your super.

How do you claim the deduction?

To be eligible to **claim the super contribution as a tax deduction**, you need to submit a valid **'Notice of Intent'** form to your super fund. You will also need to receive an acknowledgement from the super fund before you complete your tax return, start a pension, withdraw or rollover money from the fund to which you made your personal contribution.

Make sure you can utilise the deduction

It is generally not tax-effective to claim a tax deduction for an amount that reduces your assessable income below the threshold at which the 19% marginal tax rate is payable. This is because you would end up paying more tax on the super contribution than you would save from claiming the deduction.

Other key considerations

- Personal deductible contributions count towards the 'concessional contribution' cap. This cap is $27,500 in FY 2022/23, or may be higher if you didn't contribute the full $25,000 in FY 2018/19, 2019/20 or 2020/21, or the full $27,500 in 2021/22, and are eligible to make **'catch-up' contributions**. Penalties apply if you exceed the cap.
- You can't access super until you meet certain conditions.
- If you are an employee, another way you may be able to grow your super tax-effectively is to make **salary sacrifice** contributions.

Seek advice

To find out whether you could benefit from this strategy, you should speak to a financial adviser and a registered tax agent.

[1] Individuals with income above $250,000 in FY 2022/23 will pay an additional 15% tax on personal deductible and other concessional super contributions.

[2] Includes Medicare Levy.

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Smart Super strategies

Make tax-deductible super contributions

Case study

Bob, aged 55, is self-employed, earns $80,000 pa and pays tax at a marginal rate of 34.5% (including the Medicare levy).

He's paid off most of his mortgage, plans to retire in 10 years and wants to boost his retirement savings.

After speaking to a financial adviser, he decides to make a personal super contribution of $10,000 and claim the amount as a tax deduction.

By using this strategy, he'll increase his super balance. Also, by claiming the contribution as a tax deduction, the net tax saving will be $1,950.

Details	**Make personal contribution**	**Make personal contribution and claim deduction**
Personal super contribution	$10,000	$10,000
Assessable income	$80,000	$80,000
Less super deduction	Nil	($10,000)
Taxable income	$80,000	$70,000
Income tax and Medicare payable[3]	$18,067	$14,617
Income tax and Medicare Levy saving		$3,450
Less 15% fund tax on deductible contribution		($1,500)
Net tax saving		**$1,950**

[3] Based on FY 2022/23 tax rates.

Salary sacrifice contributions

If you are an employee, you may want to arrange with your employer to contribute some of your pre-tax salary into super. This is known as **'salary sacrifice'**.

Like making personal deductible contributions, salary sacrifice may enable you to boost your super tax-effectively. There are, however, a range of issues you should consider before deciding to use this strategy.

Your financial adviser can help you determine whether you should consider salary sacrifice instead of (or in addition to) making personal deductible contributions.

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Contribute to super and offset capital gains tax

When contributing to super, claiming a portion of the contribution as a tax deduction could enable you to pay less capital gains tax and increase your retirement savings.

How does the strategy work?

Cashing out a non-super investment, paying capital gains tax (CGT) and using the remaining amount to make a personal super contribution can be a powerful strategy.

This is because the low tax rate payable on investment earnings in super could more than compensate for your CGT liability over the longer term.

However, if you meet certain conditions, you may want to claim a portion of your super contribution as a tax deduction. By doing this, you could use the tax deduction to offset some (or all) of your taxable capital gain and reduce (or eliminate) your CGT liability.

While the tax-deductible portion of your super contribution will be taxed at 15%[1] in the fund, this strategy could enable you to make a larger super investment and retire with even more money to meet your living expenses.

How do you claim the deduction?

To be eligible to **claim the super contribution as a tax deduction**, you need to submit a valid **'Notice of Intent'** form. You will also need to receive an acknowledgement from the super fund before you complete your tax return, start a pension or withdraw or rollover money from the fund to which you made your personal contribution.

Make sure you can utilise the deduction

It is generally not tax-effective to claim a tax deduction for an amount that reduces your assessable income below the threshold at which the 19% marginal tax rate is payable. This is because you would end up paying more tax on the super contribution than you would save from claiming the deduction.

Other key considerations

- Personal deductible contributions count towards the 'concessional contribution' cap (which is $27,500 in 2022/23) and tax penalties apply if you exceed the cap.
- You can't access super until you meet certain conditions.
- If you did not use up your concessional contribution cap in 2018/19, 2019/20, 2020/21 or 2021/22 and meet certain conditions, you may be eligible to **carry forward the unused cap amount**. This could enable you to make concessional contributions exceeding the annual cap in 2022/23 or the following financial years.

Seek advice

To find out whether you could benefit from this strategy, you should speak to a financial adviser and a registered tax agent.

[1] Individuals with income above $250,000 in 2022/23 will pay an additional 15% tax on concessionally taxed super contributions.

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Contribute to super and offset capital gains tax

Case study

Lisa, aged 42, is self-employed, earns a taxable income of $90,000 pa and has a share portfolio worth $50,000. She wants to sell her shares and invest the money in super so she can boost her retirement savings. The sale of these shares will crystallise a taxable capital gain of $10,000[2].

She could make a personal after-tax super contribution of $46,550 (after keeping $3,450[3] to pay CGT on the sale of the shares).

However, her adviser suggests that a better approach may be to invest the full sale proceeds of $50,000 in super and claim $10,000 as a tax deduction, subject to receiving tax advice from her registered tax agent.

By doing this, she can use the deduction to offset her taxable capital gain of $10,000 and eliminate her CGT liability of $3,450.

	Without claiming deduction	With claiming deduction
Taxable gain	$10,000	$10,000
Less deduction for super contribution	Nil	($10,000)
Taxable gain after claiming deduction	$10,000	Nil

While the deductible contribution will be taxed at 15% in the super fund, this strategy will enable her to invest an additional $1,950 in super for her retirement.

	Without claiming deduction	With claiming deduction
Value of shares prior to selling	$50,000	$50,000
Less CGT payable on sale	$3,450	Nil
Less tax on deductible super contribution	Nil	($1,500)
Net super investment	$46,550	$48,500
Additional super investment		**$1,950**

[2] This figure is after the 50% general CGT discount (that is available because Lisa has owned the shares for more than 12 months) and assumes she has no capital losses to offset her taxable capital gain.

[3] Based on a marginal tax rate of 32.5%, plus Medicare levy of 2%.

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Topping up super with 'catch-up' contributions

If you have not fully used your concessional cap in a prior financial year, you may be eligible to use these unused carried forward amounts in a later year. Depending on your circumstances, this could help you to maximise tax-effective super contributions and invest more for retirement.

How does the strategy work?

Since 1 July 2018, if your concessional contributions (CCs) in a financial year are below the annual CC cap, you're able to accrue these unused amounts and carry them forward for up to five years. If you meet certain eligibility rules, you'll be able to make larger CCs in a later financial year.

This may give you greater flexibility to make larger CCs when your circumstances allow.

This may be helpful if, for example, you have irregular employment income or have had time out of the workforce.

What's the benefit?

The amount you contribute will generally be taxed at the concessional rate of up to 15%[1].

Once contributed, any earnings will also be taxed at a concessional rate, rather than your marginal rate, which could be up to 47%[2].

Depending on your circumstances, this strategy could result in a tax saving of up to 32% and enable you to increase your super.

Key conditions

To be eligible to utilise your carried forward CCs by making a catch-up contribution you must:

- have a **'total superannuation balance'**[3] below $500,000 on the prior 30 June
- be under 75 and meet the work test rules (or be eligible to apply the work test exemption) if you're aged 67 to 74, and
- have unused CC cap amounts accrued from one of the five prior financial years (but not before 2018/19).

Accruing unused CC cap amounts

The first financial year you could accrue unused CCs was in 2018/19. This means that the first year you were able to use these carried forward CCs was in 2019/20. Unused CC amounts can be carried forward for up to five years before they expire.

Seek advice

Your financial adviser can help determine whether this strategy is right for you. They can also help you to work out what your available carried forward CC balance is and how much you're eligible to contribute. Additional tax and other penalties may apply if you make contributions that exceed your available cap.

To work out your carried forward amounts, you need to confirm the total amount of CCs you have made in each financial year since 1 July 2018. You can access information about your contributions by logging on to **my.gov.au**. Information displayed might not be up to date, so it is also important to keep accurate contributions records and enquire directly to your super fund before contributing.

1 Individuals with income from certain sources above $250,000 in FY 2022/23 will pay an additional 15% tax on salary sacrifice, personal deductible and other CCs within the cap.

2 Includes Medicare levy.

3 Your 'total superannuation balance' includes all of your super accumulation interests and amounts held in superannuation income stream products. For more information, visit **ato.gov.au**, and check your total super balance by logging into **my.gov.au**.

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Topping up super with 'catch-up' contributions

Case study

In FY 2018/19, 2019/20 and 2020/21, Fatima made CCs of $15,000, which was $10,000 less than the annual CC cap of $25,000.

Fatima took 12 months maternity leave from 1 July 2021 and didn't make any CCs in FY 2021/22.

From 1 July 2022, Fatima returns to full-time work where her employer contributions (CCs) will again total $15,000 in 2022/23. This is $12,500 less than the annual cap that applies in this financial year ($27,500).

Fatima receives an inheritance of $35,000 in 2022/23 that she wants to contribute to super.

The table below shows how she can carry forward unused CCs to make catch up contributions in 2022/23 or later years.

Financial year	Annual CC cap amount	Total CC cap including any carried forward CCs	CCs made	Unused CCs that may be carried forward
2018/19	$25,000	$25,000	$15,000	$10,000
2019/20	$25,000	$35,000	$15,000	$20,000
2020/21	$25,000	$45,000	$15,000	$30,000
2021/22	$27,500	$57,500	$0	$57,500
2022/23	$27,500	$85,000	$50,000	$35,000

Other key considerations

- It's important to check your total CCs for the financial year from all sources before adjusting your contribution strategy. CCs include:
  - contributions made for you by your employer
  - **salary sacrifice contributions**, and
  - **personal contributions that you claim a tax deduction** for.
- Salary sacrificing may reduce other benefits such as leave loading and holiday pay.
- For personal deductible contributions, you need to lodge a 'Notice of Intent' form and receive an acknowledgement from the super fund before certain timeframes, and also before starting a pension, withdrawal or rollover.
- If you are not eligible to make catch-up CCs, tax penalties apply if you exceed the annual CC cap of $27,500 in FY 2022/23.
- You can't access super until you meet certain conditions.

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Splitting your super contributions to your spouse

Splitting super contributions to your spouse's super account may help to boost their retirement savings and provide a range of other benefits.

How does the strategy work?

You may be able to split (transfer) eligible concessional contributions (CCs) that you've made or received to your spouse's super account.

Eligible CCs include employer super contributions and personal super contributions for which you have claimed a tax deduction.

Contribution splitting can be a great way to increase your spouse's super savings particularly where they, for example:

- are not working
- have had time out of the workforce, or
- have a lower super balance.

What's the benefit?

In addition to boosting your spouse's retirement savings, there may be other benefits depending on your specific circumstances.

Help to cover insurance premiums

Contribution splitting can help to pay your spouse's insurance premiums for policies they hold inside super. This may be beneficial during times where your spouse has reduced their working hours or is out of the workforce and their contributions have reduced.

Maximise tax-free retirement savings

A limit applies to how much super can be transferred into 'retirement phase' income streams, where investment earnings are taxed at 0%. Contribution splitting may help you take better advantage of these limits as a couple and maximise the total amount you can hold tax-effectively when you retire.

Maximise Age Pension

If you have a younger spouse who is under their Age Pension age, contribution splitting may help to maximise your Centrelink entitlements. Superannuation held in the 'accumulation phase' is not assessed for social security purposes until the account holder reaches their Age Pension age. Splitting super to your younger spouse may therefore reduce the assets assessed when your entitlement is calculated, potentially increasing your Age Pension payments.

What contributions can be split?

Only eligible CCs can be split to your spouse, such as superannuation guarantee (SG), **salary sacrifice** and **personal deductible contributions**. Non-concessional or 'after-tax' contributions cannot be split.

Generally, the maximum amount that can be split is the lesser of:

- 85% of your CCs for the year (after taking into account 15% contributions tax), or
- your CC cap for the financial year.

The CC cap is $27,500 in 2021/22 and 2022/23. However, if you're eligible to make larger CCs in a financial year using the **'catch-up' contribution rule** rule, your applicable CC cap may be higher.[1]

You can generally only split CCs made in the previous financial year. Also, you need to request to split your CCs in writing to the trustee of your super fund within 12 months after the end of the financial year the CCs were made to your super fund (unless you're going to roll over your balance or close your account).

For more information on catch-up contributions, ask your financial adviser for a copy of our **'Top up your super with 'catch-up' contributions'** super strategy card.

[1] Individuals with income from certain sources above $250,000 will pay an additional 15% tax on salary sacrifice, personal deductible and other CCs within the cap.

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Splitting your super contributions to your spouse

Case study

Lucy would like to split some of her eligible CCs from 2021/22 to her husband Luke's (age 40) super fund in 2022/23.

In FY 2021/22, her employer contributed $20,000 to her super fund and her CC cap was $27,500. The maximum amount that Lucy can split to Luke is the lesser of:

- $17,000 (85% of the $20,000 contributed by her employer), and
- $27,500 (her CC cap in 2021/22).

Lucy elects to split $15,000 of her CCs to Luke's super fund and submits the contribution splitting application form to her fund in 2022/23.

Her super fund transfers $15,000 to Luke's super fund. This won't reduce Lucy's CCs for the financial year and the transfer won't be assessed as a contribution against Luke's contribution caps.

Note: If Lucy was eligible to make larger CCs in 2021/22 using the 'catch-up' contribution rule, her CC cap may be greater than $27,500. This may increase the maximum amount of contributions she could potentially split to Luke if she made larger CCs in that financial year.

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Is your spouse eligible?

To be eligible to split your super to your spouse, they must be either:

- under their 'preservation age'[2], or
- between their preservation age and under 65 and declare they are not currently retired for superannuation purposes.
- Once your spouse reaches age 65, they are no longer eligible to receive a contribution split from your super.

Other key considerations

- Contribution splitting may be used by married couples, de facto partners and same sex couples.
- Contributions split to your spouse:
  - will form part of the taxable component of your spouse's super account
  - don't count towards their CC cap, as they have already counted towards your CC cap in the year the contributions were made to your account.
- The split amount is fully preserved in the receiving spouse's account and they can't access their super until they meet certain conditions.
- Where a personal deductible contribution forms part or all of the amount to be split, a Notice of Intent to claim a tax deduction must be lodged and acknowledged by the super fund prior to the contribution split being processed.
- If you're intending to rollover or withdraw your entire benefit and you wish to split CCs made in the same financial year or from the previous financial year, the split must be completed prior to the rollover or withdrawal request being processed.
- It's not compulsory for a super fund to offer contribution splitting. You will need to check with your fund to see if they allow it.

[2] Preservation age is determined based on your date of birth and ranges from age 55 to age 60.

Seek advice

Your financial adviser can help determine whether this strategy is right for you. This includes working out whether your spouse is eligible to receive a contributions split from your super and how much you're eligible to split.

Where your CCs in a financial year have exceeded your available cap, these amounts cannot be split to your spouse and additional tax and other penalties may apply. We recommend you consult with a registered tax agent.

You will need to confirm the total amount of CCs in the previous financial year. You can access information about your contributions by logging on to **my.gov.au.** Information displayed might not be up to date, so it's also important to keep accurate contributions records and enquire directly to your super fund before requesting to split.

Smart Super strategies

Top-up your super with help from the Government

If your income is under a certain threshold, then making personal after-tax super contributions could enable you to qualify for a Government co-contribution and take advantage of the low tax rate payable in super on investment earnings.

How does the strategy work?

If you earn[1] $57,016 pa or less (of which at least 10% is from eligible employment or carrying on a business) and you make personal after-tax super contributions, the Government may also contribute into your super account.

This additional super contribution, which is known as a co-contribution, could make a significant difference to the value of your retirement savings over time.

To qualify for a co-contribution, you will need to meet a range of conditions, but as a general rule:

- the maximum co-contribution of $500 is available if you contribute $1,000 and earn $42,016 or less
- a reduced amount may be received if you contribute less than $1,000 and/or earn between $42,017 and $57,016, and
- you will not be eligible for a co-contribution if you earn $57,017 or more.

The Australian Taxation Office (ATO) will determine whether you qualify based on the data received from your super fund (usually by 31 October each year for the preceding financial year) and the information contained in your tax return.

As a result, there can be a time lag between when you make your personal after-tax super contribution and when the Government pays the co-contribution.

If you're eligible for the co-contribution, you can nominate which fund you would like to receive the payment.

Alternatively, if you don't make a nomination and you have more than one account, the ATO will pay the money into one of your funds based on set criteria.

Note: Some funds or superannuation interests may not be able to receive co-contributions. This includes unfunded public sector schemes, defined benefit interests, traditional policies (such as endowment or whole of life) and insurance only superannuation interests.

Other key considerations

- You can't access super until you meet certain conditions.
- You may want to consider other ways to contribute to super, such as **salary sacrifice** or **personal deductible contributions**.

Seek advice

A financial adviser can help you determine whether you should make personal super contributions and assess whether you will qualify for a Government co-contribution.

[1] Includes assessable income, reportable fringe benefits and reportable employer super contributions, less business deductions. Other conditions apply.

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Top-up your super with help from the Government

Case study

Ryan, aged 40, is employed and earns $35,000 pa. He wants to build his retirement savings and can afford to invest $1,000 a year.

After speaking to a financial adviser, he decides to use the $1,000 to make a personal after-tax super contribution.

By using this strategy, he'll qualify for a co-contribution of $500 and the investment earnings will be taxed at a maximum rate of 15%.

Conversely, if he invests the money outside super each year (in a managed fund, for example), he will not qualify for a co-contribution and the earnings will be taxable at his marginal rate of 21%[2].

Details	Invest outside super	Make personal super contribution
Amount invested	$1,000	$1,000
Plus co-contribution	Nil	$500
Total investment	**$1,000**	**$1,500**
Tax rate payable on investment earnings	**21%[2]**	**15%**

[2] Includes Medicare Levy.

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Boost your spouse's super and reduce your tax

Making an after-tax contribution into your spouse's super could benefit you both – by increasing your spouse's super and potentially reducing your tax.

How does the strategy work?

If you make an after-tax contribution into your spouse's super account and they earn less than $40,000 in FY 2022/23, you may be eligible for a tax offset of up to $540.

This strategy could be a great way to grow your super as a couple. Not only could you boost your spouse's super, the tax offset could help reduce your income tax.

To qualify for the full offset of $540 in FY 2022/23, you need to contribute $3,000 or more into your spouse's super (which counts towards the spouse's contribution caps) and your spouse must earn[1] $37,000 or less in FY 2022/23.

A lower tax offset may be available if you contribute less than $3,000 or your spouse earns more than $37,000 but less than $40,000 in FY 2022/23.

Can you make spouse contributions?

To be able to make a spouse contribution, you must be either legally married or in a de facto relationship.

You need to be living together on a permanent basis. If you are a married couple living separately, you won't qualify.

You and your spouse/partner must be Australian residents at the time the contribution is made.

Seek advice

Your financial adviser can help you determine if you should make spouse contributions and whether it suits your needs and circumstances.

Other key considerations

- To use this strategy, the spouse who receives the contribution must:
  - be under age 75[2]
  - have a **'total super balance'** of less than $1.7 million on 30 June of the previous financial year, and
  - not exceed their 'non-concessional contribution cap', which in 2022/23 is generally $110,000, or up to $330,000 in certain circumstances.
- Super can't be accessed until you meet a 'condition of release'. For more information, please visit the ATO website at **ato.gov.au**.
- There are some other super strategies that may benefit you as a couple (see back page).

[1] Includes assessable income, reportable fringe benefits and reportable employer super contributions.

[2] Contributions must be received no later than 28 days after the month in which the person turns age 75.

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Smart Super strategies

Boost your spouse's super and reduce your tax

Case study

Phil and Karen are married and have two young children. Phil works full-time and earns $100,000 pa.

Karen has cut back to working two days a week and earns $32,000 pa.

They want to make sure Karen keeps building her super while she is working part-time. Previously, when she was working five days a week, the super contributions from her employer were higher.

Phil contributes $3,000 into Karen's super account. This entitles him to a tax offset of $540, which will reduce his income tax when he completes his 2022/23 tax return.

Other strategy ideas

There are other strategies you may consider if you want to boost your spouse's super. These include:

Co-contributions

Your spouse may want to make an after-tax contribution into their own super account.

By doing this, the Government may add up to $500 to their super. It's called a **'co-contribution'**.

To be eligible for the full co-contribution in FY 2022/23, your spouse needs to contribute $1,000 or more into their super and earn[2] $42,016, or less.

They may receive a lower amount if they contribute less than $1,000 and/or earn between $42,016, and $57,016.

Contribution splitting

Another strategy to consider is **'contribution splitting'**.

This is where you arrange with your super fund to split up to 85% of your previous financial year's concessional contributions into your spouse's super account.

Concessional contributions include superannuation guarantee, **salary sacrifice** and **personal deductible contributions**, as well as certain other amounts.

You must meet other eligibility criteria to qualify for the Government co-contribution or contribution splitting.

Your financial adviser can help you determine whether either of these strategies suit your needs and circumstances.

[2] Includes assessable income, reportable fringe benefits and reportable employer super contributions.

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Smart Super strategies

Upsize your super with downsizer contributions

If you're aged 60[1] or over, you may be eligible to make additional super contributions of up to $300,000 (or $600,000 per couple) from the proceeds of selling your home.

These are known as 'downsizer contributions' and they can be made on top of the existing contribution caps, without having to meet certain contribution rules and restrictions.

How does the strategy work?

The downsizer contribution rules have removed some of the existing barriers that prevent or restrict your ability to make super contributions later in life.

Provided certain other conditions are met (see below) it may be possible to contribute up to $300,000 per person (or $600,000 per couple) from the proceeds of selling your home.

The contributions won't count towards your concessional (pre-tax) or non-concessional (after-tax) contribution caps and there is no maximum age limit. Also, the 'work test' (for people aged 67 to 74 who wish to claim a tax deduction for their super contributions), the prohibition on making personal contributions from age 75 and the **'total super balance'** test won't apply.

Key conditions

There are a number of conditions you'll need to meet to be eligible to make downsizer contributions, including:

- You must be aged 60[1] or over at the time you make the contribution.
- The property must have been owned by you or your spouse (but not necessarily both) for at least 10 years prior to the disposal.
- The property must qualify for the main residence capital gains tax exemption in whole or part, so properties held purely for investment purposes won't qualify.
- You must make the contribution within 90 days of the change of ownership[2].
- You need to make an election to treat the contribution as a downsizer contribution.
- You cannot claim the contribution as a tax deduction.
- Other conditions may also apply. For more information, please visit the ATO website at **www.ato.gov.au**

Seek advice

A financial adviser can help you assess whether downsizer contributions suit your needs and circumstances.

[1] The Government has proposed to further reduce the eligibility age to 55 or over from 1 July 2022. At the time of publication, the proposal is not yet law.

[2] The ATO can extend this period.

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Upsize your super with downsizer contributions

Case study

Bi`nh and Sui-Lee are 77 and 76 and retired. They sell their home on 20 July 2022 after owning it for 12 years and receive $1.2 million.

They can both make a downsizer contribution of $300,000 ($600,000 in total). They can do this even though Sui-Lee and Bi`nh are both over 75.

They can make these contributions regardless of how much they already have in their super accounts and the contributions won't count towards the non-concessional contribution cap. Also, it wouldn't matter if the house was only owned by one of them.

Other key considerations

There are some key issues that should be considered when assessing whether making downsizer contributions could be a suitable strategy, including:

- The property being sold to fund the contributions doesn't have to be your current home. It can be a former home which meets the requirements. Also, you don't need to purchase another home.
- Once contributed, downsizer contributions will count towards your 'total super balance' which could impact your capacity to make future contributions.
- Downsizer contributions can't be transferred into a tax-free 'retirement phase income stream' if you have used up your '**transfer balance cap**' Your financial adviser can help determine your transfer balance cap, which will be between $1.6 and $1.7 million.
- If you have used up your transfer balance cap, the contribution must remain in the 'accumulation phase' of super, where investment earnings are taxed at a maximum rate of 15%.
- Money held in the accumulation or retirement phase of super is assessed for both social security and aged care purposes.

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Smart Super strategies

Make insurance more affordable

It may be more affordable to take out life and total and permanent disability (TPD) insurance in a super fund rather than outside super.

How does the strategy work?

If you buy life and TPD insurances in a super fund, you may be able to take advantage of a range of concessions not available when insuring outside super. For example, in the 2022/23 financial year:

- **If you're eligible to make salary sacrifice contributions,** you may be able to purchase insurance in a super fund with pre-tax dollars (see Case study on opposite page).
- **If you make personal super contributions,** you may be able to claim the contributions as a tax deduction—regardless of whether they are used in the fund to purchase investments or insurance.
- **If you earn $57,016[1] pa or less and you make personal after-tax super contributions,** you may be eligible to receive a Government co-contribution of up to $500 that could help you cover the cost of future insurance premiums.

These concessions can make it cheaper to insure through super, or help you get a level of cover that might otherwise not have been affordable.

Another benefit of insuring in super is that you can usually arrange for the premiums to be deducted from your account balance without making additional contributions to cover the cost.

This can make insurance affordable if you don't have sufficient cashflow to pay the premiums outside super.

The trade-off, however, is that you will use up some of your superannuation savings that could otherwise meet your living expenses in retirement.

Other key issues to consider

- Lump sum tax may be payable when a death or TPD benefit is paid from a super fund in certain circumstances.
- You (or your eligible dependants) may be able to receive a TPD (or death) benefit from super as an income stream. Where this is done:
  - lump sum tax won't be payable when the income stream is commenced[2], and
  - the income payments will be concessionally taxed.
- Any contributions made to a super fund including contributions made to cover the cost of insurance premiums, will count towards the contribution caps. If these caps are exceeded, significant tax penalties may apply.

Seek advice

A financial adviser can help you determine whether holding insurance in super suits your needs and circumstances.

[1] Includes assessable income, reportable fringe benefits and reportable employer super contributions (of which at least 10% must be from eligible employment or carrying on a business).

[2] There is a maximum amount that you can transfer to pension phase in your lifetime. Your financial adviser can help determine your transfer limit, which will be between $1.6 and $1.7 million. This amount is indexed periodically.

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Smart Super strategies

Make insurance more affordable

Case study

Justin, aged 44, is married to Alison, aged 41. Alison is taking a break from the workforce while she looks after their young children. Justin works full-time, earns a salary of $150,000 pa and they have a mortgage.

After assessing their goals and financial situation, their adviser recommends Justin take out $1.5 million in life and TPD insurance so Alison can pay off their debts and replace his income if he dies or becomes totally and permanently disabled. The premium for this insurance is $2,200 in year one.

Their adviser also explains it will be more cost-effective if he takes out the insurance in super.

This is because if he arranges with his employer to sacrifice $2,200 of his salary into his super fund, he'll be able to pay the premiums with pre-tax dollars[3]. Conversely, if he purchases the cover outside super:

- he'll need to pay the premium of $2,200 from his after-tax salary, and
- after taking into account his marginal rate of 39%[4], the pre-tax cost would be $3,607[5].

By insuring in super he could make a pre-tax saving of $1,407 on the first year's premium and an after-tax saving of $858, after taking into account his marginal rate of 39%.

	Insurance purchased outside super (with after-tax salary)	Insurance purchased in super (via salary sacrifice)
Premium	$2,200	$2,200
Plus tax at marginal rate of 39%4	$1,407	N/A
Pre-tax salary received or sacrificed	$3,607	$2,200
Pre-tax saving	N/A	$1,407
After-tax saving	N/A	$858

3 Because super funds generally receive a tax deduction for death and disability premiums and pass this deduction back to the member, no tax is deducted from salary sacrifice super contributions. If an individual earns more than $250,000 in 2022/23, they'll incur an extra 15% tax on some or all of their concessional contributions.

4 Includes Medicare levy.

5 $3,607 less tax at 39% ($1,407) equals $2,200.

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Smart Super strategies

Convert business capital into tax-free retirement benefits

If you're selling your business to retire, taking advantage of the CGT small business concessions could enable you to manage tax and get more money into super.

How does the strategy work?

To use this strategy, you need to sell 'active business assets' and meet a range of other conditions.

Active assets are assets that are held or used in the course of carrying on your business or a business of someone else connected with you. Generally, this might include land and buildings and in limited circumstances, shares in the company.

If you have held the active business assets for **15 years or more**, you may be eligible to claim the 15 year CGT exemption. It could enable you to disregard 100% of capital gains made when selling business assets and contribute up to $1.650 million to super by using the CGT cap. This cap may also be available when disposing of pre-CGT assets or assets where there is no capital gain.

In other circumstances, including where the active business assets have been held for **less than 15 years**, you may be eligible to use the CGT retirement exemption instead. This exemption enables you to disregard up to $500,000 in capital gains and invest up to $500,000 of exempt gains in super under the CGT cap.

Other key considerations

- If you are eligible and want to make a contribution into super and have the contribution count towards the CGT cap, you must provide your fund with a **'CGT cap election'** form in the approved format at the time or prior to making the contribution.
- If you're under age 55 and want to claim the CGT retirement exemption, you will need to invest the CGT exemption amount in super to qualify for the CGT concession. Also, you won't be able to access the money until you meet certain conditions.
- If you plan to retire and are eligible to access your super, you can start a retirement phase income stream investment. By doing this, no tax will be payable on earnings in the fund, you can receive a tax-effective income under age 60 and all income payments received at age 60 or over will generally be tax-free.

Seek advice

You should consult with a **registered tax agent** to determine the CGT implications, whether the small business concessions will be available to you and which ones should be claimed.

A **financial adviser** can help you to:

- maximise your super contributions
- unwind or reassign business insurance policies, such as those used to fund a Buy Sell agreement
- pay-off business loans and release guarantees
- review your personal insurance needs to ensure you are suitably covered, and
- facilitate, with legal advice from your solicitor, any estate planning changes that may need to be made.

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Smart Super strategies

Convert business capital into tax-free retirement benefits

Case study

Jane, aged 64, recently sold a business she has owned for the last 10 years for $530,000 and made a capital gain of $400,000.

She wants to limit the amount of CGT she has to pay on the sale proceeds and, if possible, get all the money into the concessionally taxed super system to fund her retirement.

Her registered tax agent determines that she is eligible to claim the 50% general CGT discount[1] and a CGT retirement exemption of $200,000. This will enable her to offset her taxable capital gain and receive the full sale proceeds of $530,000 without paying any tax.

Her financial adviser recommends she invest the CGT exemption amount of $200,000 in super and notify her fund that she wants this amount to be counted towards her available CGT cap.

Because the amount claimed under the CGT cap is excluded from the non-concessional contribution cap (and she is under age 75), she is then able to invest a further $330,000 in super this financial year (by bringing forward an additional two years worth of non-concessional contributions) as a personal after-tax contribution.[2]

By using this strategy, Jane is able to get the full sale proceeds of $530,000 into super without exceeding the contribution caps. Also, because Jane has retired, she can use the $530,000 to commence a 'retirement phase' pension where she can receive tax-free payments[3] to meet her living expenses.

Details	
Sale proceeds received	$530,000
Less cost base	($130,000)
Nominal capital gain	$400,000
Less 50% general CGT discount	($200,000)
Net gain after discount	$200,000
Less CGT retirement exemption claimed	($200,000)
Net taxable gain	Nil

1 If an asset has been held for more than 12 months, individual small business owners (eg sole traders and partners) must utilise the 50% general CGT discount before electing to apply any of the other small business CGT concessions except for the 15 year exemption.

2 The rules that apply to personal after-tax and other non-concessional contributions (NCCs) are complex. It is important to seek personal advice before making NCCs to understand your eligibility.

3 Assumes Jane commences a pension from a taxed fund.

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Smart Super strategies

Top up your income when cutting back work

If you plan to scale back your working hours, starting a transition to retirement pension could help you to replace your reduced income.

How does the strategy work?

To use this strategy, you need to invest some of your super in a transition to retirement (TTR) pension.

The key benefit of doing this is you can receive an income from the TTR pension to replace the income you'll forgo when reducing your working hours.

Also, you're likely to pay less tax on the income you receive from the TTR pension than you do on your salary or business income.

This is because even though the taxable income payments from a TTR pension are taxed at your marginal tax rate, they will attract a 15% tax offset between preservation age[1] and under age 60. Also, the income payments are tax-free[2] at age 60 or over.

As a result, you'll generally need to draw less income from the TTR pension to replace your reduced salary, as the Case study on the opposite page illustrates.

Other key considerations

There are some key issues you'll need to consider before starting a TTR pension. For example:

- you'll need to draw a minimum income each year, which is 2% of the account balance per annum in 2022/23 and 4% of the account balance thereafter
- you can't draw more than 10% of the account balance each year, and
- you can only take a cash lump sum (or purchase a different type of income stream) once you permanently retire, reach age 65 or meet another 'condition of release'.

Seek advice

A financial adviser can help you assess all the issues that need to be considered and determine whether a TTR pension suits your needs and circumstances.

1 Preservation age is 59 for those born between 1 July 1963 and 30 June 1964 and increases to age 60 for those born since 1 July 1964.

2 Assumes the TTR pension is commenced from a taxed super fund.

Are you retiring?

If you have reached your preservation age and retire permanently (or meet another condition of release) you may be able to invest your super in an ordinary **account based pension**, rather than a TTR pension.

No tax will be payable by your fund on investment earnings in an account based pension, whereas earnings in a TTR pension are taxed at a maximum rate of 15%.

Also, an account based pension is not subject to the maximum income and withdrawal restrictions associated with a TTR pension.

However, lifetime limits regulate how much you can transfer into an account based pension. Your financial adviser can help determine your **transfer limit**, which is between $1.6 and $1.7 million. This amount is indexed periodically.

These rules are complex. More information on starting an account based pension can be found in our super strategy card, called **'Convert your super into a tax-effective retirement income'**, or speak to your financial adviser.

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Smart Super strategies

Top up your income when cutting back work

Case study

Mark, aged 58, works full-time, earns a salary of $80,000 pa (or $61,933 after tax) and has $400,000[3] in super. He wants to cut back to a three-day working week.

While Mark's salary will reduce to $48,000 pa, he doesn't want to compromise his living standard.

To help him achieve his goals, his financial adviser suggests he invest his entire super benefit in a TTR pension and draw an income of $26,038 over the next 12 months.

By using this strategy, he'll be able to replace his pay cut of $32,000 and continue to receive an after-tax income of $61,933 pa.

He will also pay $5,962 less tax. This is because the TTR income payments attract a 15% tax offset[3], whereas his salary is fully taxable at his marginal rate.

Finally, Mark could still achieve his after-tax income goal if he invests as little as $260,380 in the TTR pension and draws the maximum income of $26,038.

However, by investing his entire super balance of $400,000 in the TTR pension,
he will have the flexibility to increase his income payments, should he need to, up to the maximum of 10% of the account balance per annum.

In year one	Before strategy	After strategy
Pre-tax salary	$80,000	$48,000
TTR pension income	Nil	$26,038
Total pre-tax income	$80,000	$74,038
Less tax payable[4]	($18,067)	($12,105)
After-tax income	$61,933	$61,933

3 Mark's super benefit consists entirely of the taxable component.

4 The tax payable takes into account the 15% pension tax offset available on taxable pension payments from preservation age to age 59.

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Smart Super strategies

Convert your super into a tax-effective retirement income

Starting an account based pension with your super when you retire could enable you to receive a tax-effective income and make your savings last longer.

How does the strategy work?

When you retire, it can be tempting to take your super as a cash lump sum. However, using your super to start an account based pension[1] could be a more tax-effective option. This is because:

- no tax will be payable on earnings in the fund[2]
- you can receive $55,440[3] pa in tax-free income between your 'preservation age'[4] and under age 60 in 2022/23, and
- when you reach age 60, the pension income payments will be completely tax-free[5] and you don't have to include these amounts in your annual tax return.

Seek advice

A financial adviser can help you determine whether an account based pension suits your needs and circumstances.

Maximum taxable income that can be received tax-free (pa) in 2022/23

Age	From investments held outside super	From account based pension (taxed fund)
Aged[4] to 59	$21,885[6]	$55,440[3]
60 to Age pension age[7]	$21,885[6]	Unlimited tax-free[5] income payments. Also, you don't have to include the income payments in your annual tax return
Age pension age[7] and over	$33,089[8] (for singles) and $29,784[8] (per member of a couple)	As above

[1] There is a limit on the total amount that can be transferred to retirement phase in a person's lifetime. This limit is up to $1.7 million depending on your circumstances.

[2] Assumes you are in retirement phase.

[3] Takes into account low income tax offset and 15% pension tax offset as at 1 July 2022 and assumes no other income is received.

[4] Preservation age is 59 for those born between 1 July 1963 and 30 June 1964 and increases to 60 for those born since 1 July 1964.

[5] Assumes the pension is commenced from a taxed super fund.

[6] Takes into account low income tax offset as at 1 July 2022.

[7] Age where you become eligible for age pension, currently 66.5 and gradually increasing to 67.

[8] Takes into account low income tax offset and seniors and pensioners tax offset as at 1 July 2022.

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Smart Super strategies

Convert your super into a tax-effective retirement income

How do account based pensions work?

Account based pensions begin by transferring a lump-sum – usually from your super account – into an account based pension product.

You can select the frequency of payments you receive (minimum of once per year) and how much you wish to withdraw each year.

There are minimum amounts you must withdraw each year (see following table).

Your balance will be invested in the investment option(s) you choose and you can withdraw a lump sum at any time.

Minimum pension payments

There is a minimum amount you must withdraw from an account based pension each financial year, that depends on your age. For 2022/23, the minimum pension payment is half of the percentages shown below and in later years, it will be as shown below.

Age	Minimum pension payment
Under 65	4%
65–74	5%
75–79	6%
80–84	7%
85–89	9%
90–94	11%
95+	14%

Tips and traps

- To start an account based pension you need to have met a 'condition of release'.
- There is a limit on how much super you can **transfer to an account based pension**, or other 'retirement phase' account. Your financial adviser can help determine your transfer limit, which is between $1.6 and $1.7 million. This amount is indexed periodically.
- Before you start an account based pension, search for any lost super you might be entitled to. Also consider making additional contributions and consolidate your super if you have more than one account. You can't add to a pension once it's commenced.
- Consider whether you should **claim a tax deduction** (if eligible) on any personal super contributions you have made in the current or prior financial year before commencing a pension. To do this, you'll need to complete a *'Notice of intent to claim or vary a deduction for personal super contributions'* form either prior to or at the time of applying for a pension.

To find out more about these or other issues, speak to your financial adviser, or visit **ato.gov.au**

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