

# Guide to superannuation and contributions

Get started



In this Guide, you will find more information about contributing to superannuation, and information about various government superannuation contribution initiatives aimed at those saving for a first home, looking at downsizing their existing home, on lower incomes or who are self-employed.

Superannuation could play an important role in your retirement plans one day. While that might seem a while off, generally the earlier you contribute to your superannuation the better, as the longer your money is invested in the market, the more likely it may be able to manage market movements and allow you to take advantage of the compounding of returns over time, helping your balance grow until you retire.

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# 1. Your superannuation



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Your superannuation is an investment designed specifically to help you save for your future retirement.

If you're eligible, your employer will make regular contributions to your super account during your working life, as required under Superannuation Guarantee legislation, which are commonly known as Superannuation Guarantee (or SG) contributions. Broadly, these contributions are set at 9.5% of your 'ordinary time earnings'<sup>1</sup> (basically, what you earn for your ordinary hours of work)<sup>1</sup> and this figure is set to increase to 10% from 1 July 2021 and then by 0.5% each 1 July until it reaches 12% from 1 July 2025.

You typically are not able to access your superannuation until you have reached your preservation age (discussed below) and retire from the workforce, or turn 65. In limited circumstances, you may be able to access your superannuation earlier.

Many superannuation funds offer investment options across different types of investments, including shares, property, fixed interest and cash, and across different sectors (for example, telecommunications and healthcare) and different countries.

Some employers allow you to select your own superannuation fund, while others may require your SG contributions to be paid to a particular fund if you are covered by an industrial agreement or if you are a member of the employer's defined benefit fund.

If you are able to select your own fund, your employer may offer you the choice of their selected default fund or to nominate your own. If you select your own, you may wish to compare funds by considering the investment options they offer, fees, extra benefits, long-term performance, insurance and services.

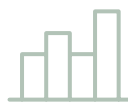
You can find this information by contacting relevant superannuation providers, visiting their websites and reviewing the relevant product disclosure statements for their superannuation products. If you don't select your own fund, you will be placed in the default fund selected by your employer.



Shares



Property



Fixed Interest



Cash

<sup>1</sup> For more information on what is considered 'ordinary time earnings' please refer to the Australian Taxation Office (ATO) website at [ato.gov.au](http://ato.gov.au)



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Superannuation can be an attractive environment to save for retirement for a number of reasons.

- It's a method of 'forced saving' as you won't be able to access your funds until you are age 65 or have retired after reaching your preservation age, except under very limited circumstances as defined under superannuation law.
- The contributions made by your employer from your salary are taxed at 15%, which, compared to your marginal tax rate may be lower. If you earn more than \$250,000 per financial year, you may need to pay an additional 15% tax on some or all of your contributions. If this applies to you, the ATO will notify you after the end of the financial year. You can find out more about this in section 3 Types of contributions.
- Earnings on your superannuation are also taxed at a maximum of 15%, which may be lower compared to your marginal tax rate, which applies to earnings on investments outside superannuation.
- Your investments can be managed on your behalf by professionals and are spread (diversified) across a range of asset classes.



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## Things to be aware of before investing more in superannuation

- You generally won't be able to access your superannuation until you turn age 65, or you reach preservation age and retire from the workforce. Your preservation age depends on when you were born. You can determine your preservation age using the following table. In certain circumstances, you may be able to access your superannuation earlier, however, you will need to satisfy a condition of release as defined under superannuation law to do so.
- Your investments are generally not guaranteed and can rise or fall depending on what happens in the market, just like many investments made outside of the superannuation environment. The likelihood that you may lose money will depend on which investment option you choose, for example, a high growth investment option may mean you have both a greater chance of loss or return, while a conservative investment option may mean you have lower chance of loss but also lower prospect of returns.
- Superannuation is not the only investment option available to help you meet your retirement needs and goals so you may wish to investigate further what is the right type of investment structure that could help you meet your needs.

## Preservation age based on date of birth

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

Source: [ATO](#).



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## 3. Types of contributions



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If you would like to make extra contributions to your superannuation, you can do it using either ‘before tax’ or ‘after tax’ money, keeping in mind that there are annual limits (caps) on how much you can contribute to superannuation. If you exceed a cap, additional tax may be payable.

### Concessional contributions

These are contributions to your superannuation made from your income before tax is paid or for which a personal tax deduction is claimed. They include your Superannuation Guarantee and any other employer super contributions, salary sacrifice contributions (if you do this) and any contributions you personally contributed and have claimed a personal tax deduction for.

The cap on concessional contributions is \$25,000 per financial year for the 2019/20 financial year.

Concessional contributions are taxed at 15%. If you earn more than \$250,000 per financial year, you may need to pay an additional 15% tax on some or all of your concessional contributions. If this applies to you, the Australian Taxation Office (ATO) will notify you after the end of the financial year.

### How to make concessional contributions outside of your employer’s SG contributions?

- Some employers may allow you to salary sacrifice, which is where you nominate a certain portion of your before-tax salary to be paid as an extra contribution to super rather than receiving the money in your take home pay.
- You can also contribute to your superannuation from your after-tax salary (within the caps) which you may then be able to claim as a deduction as part of your tax return.

*Example: What contribution could you consider making to your superannuation if you currently receive a Superannuation Guarantee contribution of \$10,000?*



\* You may be eligible bring forward roll three years of non-concessional contributions into one year and contribute up to \$300,000 depending on your total superannuation balance and whether you have already accessed this in the previous two financial years.



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## Non-concessional contributions

These include contributions to your superannuation you make from your income after you have paid tax on it which you have not claimed a deduction for. Other contributions that are counted as non-concessional contributions include:

- contributions made by your spouse into your account; and
- concessional contributions made in excess of the concessional contributions cap that are not released from super under the relevant release authority.

The cap on non-concessional contributions is \$100,000 per financial year for the 2019/20 financial year. If you are aged between 65 years and 74 years, you may still be able to make non-concessional contributions as long as you have worked at least 40 hours over 30 consecutive days in the financial year or satisfy a work test exemption<sup>^</sup>. Please note, in the 2019/20 financial year spouse contributions can not be made after age 70.

However, if at 30 June in the previous financial year, your total superannuation balance is greater than or equal to \$1.6 million, you will not be able to make any non-concessional contributions to super.

You can find more information at [ato.gov.au](http://ato.gov.au).

There may also be the option to make non-concessional contributions of up to three times the annual non-concessional contributions cap in a single year by utilising the three-year bring-forward rule. This rule allows you to bring forward up to two years' worth of non-concessional contributions to the current year, enabling you to combine your non-concessional contributions for three consecutive years to the maximum value of \$300,000.

The ability to use the bring-forward rule and how much you can utilise is dependent on your total superannuation balance as at the previous 30 June.

You won't be able to use the three-year bring-forward rule if:

- you've already used it in either of the previous two financial years
- your total superannuation balance has reached \$1.4\* million or more
- you are aged 65 years or older as at 1 July in the relevant year.

Refer to the [ATO website](#) for more information on the bring-forward rules.

## How to make non-concessional contributions

- Your superannuation provider usually has a few ways for you to contribute, such as by bank transfer or cheque payments. Speak to your provider to find out more.

<sup>^</sup> A work test exemption allows someone who has not met the work test during a financial year to still be able to make a contribution. To be eligible:

- the individual must have met the work test in the financial year immediately prior to the year of contribution
- at 30 June in the previous financial year, they had a total superannuation balance below \$300,000; and
- they had not previously used the work test exemption in a previous financial year.

\* A partial bring-forward may be available.



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You may be able to make voluntary superannuation contributions to use towards a deposit for your first home under the First Home Super Saver Scheme (FHSSS).

Voluntary contributions you make to your super since 1 July 2017 can be accessed from 1 July 2018 subject to meeting eligibility criteria. Whether using concessional or non-concessional contributions, the amount you can contribute is capped at \$15,000 a year (and a maximum of \$30,000 in total). Superannuation Guarantee contributions, as well as contributions that don't count towards or are in excess of the relevant contributions cap, cannot be accessed under the FHSSS.

When you plan to buy your first home, you will need to apply to the ATO directly to access savings under the FHSSS.

The ATO will assess your eligibility and calculate your additional contributions and the deemed earnings on these contributions.

Deeming allows for a standardised return that your contributions are 'deemed' to have earned while invested in the superannuation environment, regardless of your actual returns. The ATO calculates these based on the 90 Day Bank Bill rate plus three percentage points (as per the Shortfall Interest Charge).

Refer to the [ATO website](#) for more information.





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There may be an option to contribute proceeds from the sale of your home to your superannuation as a downsizer contribution if you wish.

This option applies to you if:

- you are age 65 or older when the contribution is made
- you make the downsizer contribution within 90 days of receiving the proceeds of sale
- you or your spouse have owned your home for the past ten or more years, prior to the sale
- your home has been your primary residence\* for CGT purposes, (\*or qualify for a partial exemption); and
- you have not previously made a downsizer contribution from the sale of another home. Refer to the [ATO website](#) for more information about downsizer contributions.<sup>1</sup>

If this applies to you, you could contribute up to \$300,000 from the proceeds of the sale of your home. If you have a spouse, they are also allowed to contribute up to \$300,000 from the sale proceeds to their superannuation under this policy (provided that they also meet the eligibility criteria).

Eligible downsizer contributions do not count towards your concessional or non-concessional contribution caps, nor will you need to meet rules around existing maximum total superannuation balances, the work test or maximum ages for contributions. It does not, however, allow you to invest more than your transfer balance cap (currently \$1.6 million) in super income streams.

*Example: You and your partner have received \$700,000 in proceeds from selling the home you have lived in for 15 years. How much could you each contribute separately to your superannuation?*



<sup>1</sup> Refer to the [ATO website](#) for more information about downsizer contributions.



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Lower income earners may be able to receive extra support for their superannuation in a few ways.

### a) Government superannuation co-contributions

The government may make a superannuation co-contribution to your superannuation account up to a maximum of \$500 if you are a low or middle-income earner and make a personal after-tax contribution to your superannuation.

For the 2019/20 financial year to be eligible, you must:

- make an eligible personal (after tax) super contribution
- earn less than \$53,564 before tax
- be less than 71 years old at the end of the financial year
- have more than 10% of your total income come from employment related activities, carrying on a business or a combination of these
- not hold a temporary visa at any point during the financial year (unless you are a New Zealand citizen or it was a prescribed visa)
- lodge your tax return for the financial year
- have a total super balance less than the transfer balance cap (\$1.6 million for the 2019-20 financial year) at the end of 30 June of the previous financial year
- have not contributed more than your non-concessional contribution cap.

You can see the amount of co-contribution paid to your account based on the amount of personal contributions in the table below.

#### Contributions made in the 2019/20 income year

Income	Personal super contribution			
	\$1,000	\$800	\$500	\$200
\$38,564 or less	\$500	\$400	\$250	\$100
\$41,564	\$400	\$400	\$250	\$100
\$44,564	\$300	\$300	\$250	\$100
\$47,564	\$200	\$200	\$200	\$100
\$50,564	\$100	\$100	\$100	\$100
\$53,564	\$0	\$0	\$0	\$0

Source: [ATO](#).



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### b) Low income superannuation tax offset

If you earn \$37,000 or less and have more than 10% of your total income from employment or through carrying on a business, you may receive a 'low income superannuation tax offset' from the government into your superannuation account. This represents a refund of the tax paid on the concessional contributions you or your employer has made to your superannuation account during the financial year, up to a total of \$500 annually.

### c) Spouse contributions

If you are a low income earner, your spouse may be able to claim a tax offset of up to \$540 under certain conditions if they make a non-concessional contribution to your superannuation fund.

Alternatively, your spouse may be able to split their concessional contributions made during the financial year with you into your superannuation fund. The ATO provides complete guidelines on both these approaches, which you can find [here](#). These options might not be the right financial choice for you or your spouse so getting advice on your options can be helpful before you take this approach.





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If you are self-employed, there are additional options which might be relevant to you.

If you plan to sell your business, you might be able to contribute the proceeds from the sale of your business to boost your superannuation, should you wish to.

You will only be eligible to do this when one of the following capital gains tax (CGT) concessions apply to you.

#### 1. The small business 15-year exemption

If you are aged 55 or older and retiring or are permanently incapacitated, and you have owned an active business asset for at least 15 years, you may be exempt from paying CGT on the proceeds when you sell the asset. You might be able to contribute amounts under this exemption to your superannuation fund up to a lifetime limit of \$1,515,000 without it affecting your non-concessional contribution caps.

#### 2. The small business retirement exemption

This allows you to receive a capital gains tax exemption on the proceeds of selling an active business asset up to a lifetime limit of \$500,000. If you are under 55, the taxable capital gain from the disposal of the asset must be contributed into a complying superannuation fund. This also doesn't affect your non-concessional contributions cap.



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[How to do a Supercheck](#)

Over time, it can be easy to forget where your superannuation is. Some people end up with multiple accounts. You can find out where your superannuation is held by visiting the [Australian Taxation Office website](#).

Once you have found your lost super, you can choose whether to leave things as they are or whether to combine your accounts, if you have more than one. Before making a decision about combining your super accounts, you should consider your financial needs and goals and determine what is right for you.

As part of this, you should consider where your future employer contributions will be paid and let your employer know your new super fund's details if you consolidate your superannuation. You should check with your other fund(s) to see if there are any exit or withdrawal fees for closing your account, or loss of benefits such as insurance cover.

Consolidating your superannuation may mean you receive different types and levels of benefits and may lose any insurance cover you had in other fund(s).





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Need help managing your superannuation?

Consider speaking to a financial adviser or call 132 135.

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#### Disclaimer

Information current as at 9 June 2020. This information has been prepared by BT Funds Management Limited ABN 63 002 916 458 (BTFM) and does not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness, having regard to these factors before acting on it. This Guide provides an overview or summary only and it should not be considered a comprehensive statement on any matter or relied upon as such. Superannuation is a means of saving for retirement, which is, in part, compulsory. The government has placed restrictions on when you can access your investments held in superannuation. The Government has set caps on the amount of money that you can add to superannuation each year on both a concessional and non-concessional tax basis. There will be tax consequences if you breach these caps. For more detail, speak with a financial adviser or registered tax agent or visit the ATO website. BTFM cannot give tax advice. Any tax considerations outlined in this Guide are general statements, based on an interpretation of current tax laws, and do not constitute tax advice. The tax implications of superannuation contributions can impact individual situations differently and you should seek specific tax advice from a registered tax agent or registered tax (financial) adviser.

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