

SUPERANNUATION

Q&A

Superannuation Contributions

Favourable tax concessions on contributions and investment earnings make superannuation a tax effective structure to save and invest for your retirement. Making extra contributions to super can increase the benefits available to you, and due to the effect of compounding, earlier contributions can reap larger rewards over time.

However careful planning is required because significant tax penalties apply if contribution limits are exceeded.

Contributions

The main advantages of contributing to super are:

Increase your wealth and pay less tax

Contributing to super will provide you with a higher standard of living in retirement and save tax by accruing wealth in a lower taxed structure.

Protect your assets

Superannuation provides a secure environment to build your wealth, as assets held within super are generally protected by law in the event of litigation or bankruptcy.

Contribution limits

Concessional and non-concessional limits apply. Unused contribution limits cannot be credited to a future year.

Concessional contribution limits

Concessional contributions are super contributions where a tax deduction is available to the contributor and 15% tax is paid in the superannuation fund. Typically, concessional contributions would include:

- Contributions made by your employer such as superannuation guarantee or salary sacrifice contributions; or
- Contributions made by you directly where you qualify for and claim a personal superannuation contribution deduction.

Concessional contributions generally give rise to an immediate tax saving. You would also expect to benefit from the lower tax rates on future investment earnings available through a super fund.

Concessional Contribution Limit – 2011/2012

| Age on last day of the financial year | Limit |
|--|----------|
| Under age 50 (standard limit) | \$25,000 |
| 50 years and over (transitional limit) | \$50,000 |

The \$50,000 transitional limit for those aged 50 years or over is scheduled to cease after 30 June 2012

Non-concessional contribution limits

Non-concessional contributions are super contributions you make on an after tax basis. No tax deduction is available however no tax is paid on contributions within limits in the super fund.

Non-concessional contributions are generally a means of accruing wealth faster by using the lower tax rates on future investment earnings available through a super fund.

Non-concessional Contribution Limit – 2011/2012

| Age at any time in the financial year | Limit |
|---------------------------------------|------------|
| Under age 65 | \$150,000* |
| 65 years and over | \$150,000 |

*Individuals under age 65 at any time in the financial year may be able to contribute up to \$450,000 if certain conditions are met

Superannuation Contributions

Excess contributions

Contributions in excess of prescribed limits incur additional tax at the following rates:

- Concessional contributions – 31.5%; and
- Non-concessional contributions – 46.5%.

Age restrictions

| Age at the time of the contribution | Acceptance conditions |
|-------------------------------------|--|
| Under age 65 | All contributions for a member can be accepted |
| Age 65 but less than 75 | The member must generally be gainfully employed for a minimum of 40 hours in a period not exceeding 30 consecutive days in the year the contribution is received |
| Age 75 or over | Only certain types of mandated employer contributions can be accepted |

Most people can contribute to super, however from age 65 a work test must be satisfied before contributions can be accepted by the super fund.

From age 75 contributions to super are generally prohibited.

Preservation

The main disadvantage of contributing to super is “preservation.” Preservation means that access to your super is restricted, generally until you retire or attain age 65.

You should consider the possible impacts of preservation before extra contributions are made.

Further information

Please ask your regular Pitcher Partners contact or any of the contacts below for further information.

Disclaimer: The information in this document is factual in nature and does not constitute financial product advice.

Your Pitcher Partners contacts



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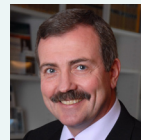


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