Rebuilding super after financially trying times

Strategies at a glance

Below is a summary of some of the key contribution strategies available to boost and rebuild your retirement savings. To find out if these strategies are right for you and to understand more about the rules and eligibility conditions, speak to your financial adviser and see ato.gov.au.

Strategy	At a high level...	What's the benefit?
Sacrifice pre-tax salary to super	**Who could this work for?** This may be appropriate for those who have sufficient cashflow to divert some of their pre-tax salary to super rather than receive take home pay. It doesn't need to be a large amount to start and you can increase the amount that you contribute in the future once things are really back on track. **Strategy at a glance** If, and when, the time is right, you may be able to arrange for your employer to contribute some of your future pre-tax salary, wages or bonus directly into your super fund. **Important information** Salary sacrifice contributions count towards your 'concessional contributions' (CC) cap. CCs also include employer contributions and personal contributions claimed as a tax deduction. Breaching the cap may lead to additional tax penalties. For a brief explanation of contribution caps see the **Glossary** at the end of this document or go to **ato.gov.au**	**Savings boost** By making regular additional contributions to super, you're helping build up your account balance again. Don't be afraid to start small if it is all you can commit. Even small incremental amounts add up over time. The sooner you can start making even small contributions the better, as the power of compounding returns has the chance to work harder for you. Salary sacrifice contributions are made from your pre-tax salary which can be a disciplined way to save for retirement. However, if your income or expenses aren't consistent or predictable, there are other ways (see 'Make personal contributions and claim a tax deduction' on page 4). **Tax management** Salary sacrifice contributions are generally taxed at the concessional rate of up to 15%[1], rather than your marginal rate which could be up to 47%[2]. Depending on your circumstances, this strategy could therefore reduce the tax you pay on your salary and wages by up to 32%. By paying less tax, you can make a larger investment for your retirement. You could even consider diverting the tax savings to super to boost your savings further. **Find out more** To find out more about the benefits of salary sacrifice, see: ▪ **'Super strategies: Sacrifice pre-tax salary into super'**, and ▪ **ato.gov.au**

1 Individuals with income from certain sources above $250,000 in 2021/22 will pay an additional 15% tax on salary sacrifice and other concessional super contributions within the cap.

2 Includes Medicare Levy.

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Strategy	At a high level...	What's the benefit?
Government co-contribution	**Who could this work for?** People who earn[3] less than $56,113 pa[4] and can make personal (after-tax) super contributions of up to $1,000 pa (which is less than $20 per week). **Strategy at a glance** If you meet the requirements and make personal (after-tax) contributions of up to $1,000 pa, the Government will also contribute up to $500 into your super account (which is a return of up to 50%). The amount you're entitled to will vary based on your income and the total annual personal contributions that you make. As a general rule, in 2021/22: ▪ the maximum co-contribution of $500 is available if you contribute $1,000 and earn $41,112 or less, and ▪ a reduced amount may be received if you contribute less than $1,000 and/or earn more than $41,112 but less than $56,113. **Important information** You need to ensure you satisfy the eligibility criteria. Personal (after-tax) contributions count towards your non-concessional contribution cap. Breaching the cap may lead to additional tax penalties. For a brief explanation of contribution caps, see the Glossary or visit ato.gov.au	**Savings boost** By making regular additional contributions to super, you're helping build up your account balance again. What's even better is by receiving additional help from the Government, your savings may be boosted even faster. If you're entitled to the maximum co-contribution, this means your super contributions increase by $1,500 pa from this strategy alone – and there are other strategies that you may be able to utilise to give your savings an even bigger boost. The earnings on your savings are taxed at 15% rather than your marginal rate. **Find out more** To find out more about the Government co-contribution and eligibility rules, see: ▪ 'Super strategies: Top up your super with help from the Government', and ▪ ato.gov.au To help you calculate the amount of Government co-contribution you may be entitled to, see the 'Super co-contribution calculator' on ato.gov.au.
Make a spouse contribution and receive a tax-offset	**Who could this work for?** Members of a couple, where one spouse earns less than $40,000 pa and there is capacity to make a super contribution on behalf of a spouse. **Strategy at a glance** If you make an after-tax contribution into your spouse's super account and they earn less than $40,000 pa, you may be eligible for a tax offset of up to $540. To qualify for the full offset of $540 in a financial year, you need to contribute $3,000 or more into your spouse's super account and your spouse must earn[5] $37,000 pa or less. A lower tax offset may be available if you contribute less than $3,000 or your spouse earns more than $37,000 pa but less than $40,000 pa. **Important information** A spouse contribution counts towards your spouse's non-concessional contribution cap and must be within this cap to entitle you to the tax offset. See Glossary or visit ato.gov.au for further information.	**Savings boost** Spouse contributions can be a great way to grow your super as a couple and to be 'rewarded' via a tax offset for saving for retirement. **Tax management** Not only could you boost your spouse's super, the tax offset could help reduce your income tax. You could use these tax savings to provide an even larger super savings boost, helping to fund additional contributions in the next financial year. **Find out more** To find out more, including important information about eligibility rules, see: ▪ 'Super strategies: Boost your spouse's super and manage your tax', and ▪ ato.gov.au

3 Includes assessable income, reportable fringe benefits and reportable employer super contributions less business deductions. At least 10% of income must be from eligible employment or carrying on a business. Other conditions apply.
4 Threshold applies in the 2021/22 financial year and may be indexed in the future.
5 Includes assessable income, reportable fringe benefits and reportable employer super contributions.

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<table>
<tr><th>Strategy</th><th>At a high level…</th><th>What's the benefit?</th></tr>
<tr><td>Make personal contributions and claim a tax deduction</td><td>Who could this work for?
This might be right for you if you're able to make personal after-tax contributions to super. Unlike salary sacrifice contributions, personal deductible contributions can be made with your take home (after tax) pay or savings.
You can do this regularly, or you could even wait until closer to the end of the financial year, which could provide greater flexibility and planning options if you have irregular income or expenses and need to review your circumstances before committing to a regular contribution.
Strategy at a glance
You could make a personal super contribution and claim a tax deduction for the amount, which also reduces your assessable income.
Important information
These contributions are treated as CCs and count towards your CC cap. Exceeding your cap may result in significant tax penalties. See Glossary or visit ato.gov.au for further information.</td><td>Savings boost
By making additional voluntary contributions to super, you're helping to rebuild your account balance. What's more, making tax effective super contributions can be a great way to boost your savings even more.
Tax management
Making a personal deductible contribution could help to reduce your assessable income and manage your tax liability. The contribution is generally taxed in the fund at the concessional rate of up to 15%[6], instead of your marginal tax rate which could be up to 47%[7].
Depending on your circumstances, this strategy could result in a tax saving of up to 32% and enable you to increase your super. You could put some or all of these savings towards making even more super contributions the following year.
It could also help you to manage capital gains tax and if you have unused CCs (see 'Catch-up concessional contributions' on page 5) you could make larger contributions and claim an even larger tax deduction.
Depending on your circumstances, this may even result in you receiving a tax refund at the end of the year. You could use this tax refund to further boost your retirement savings by making another super contribution in the following year.
Find out more
For more information on personal deductible super contributions, including eligibility rules and important steps you must follow, see:
▪ 'Super Strategies: Make tax deductible super contributions'
▪ 'Super strategies: Contribute to super and offset capital gains tax', and
▪ ato.gov.au</td></tr>
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6 Individuals with income from certain sources above $250,000 in 2021/22 will pay an additional 15% tax on personal deductible and other concessional super contributions.
7 Includes Medicare Levy.

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Strategy	At a high level…	What's the benefit?
Make catch-up concessional contributions	**Who could this work for?** If you haven't fully utilised your annual CC cap since 1 July 2018, you may have accrued 'unused' CCs that could enable you to make larger contributions in a future year. Unused CCs can be carried forward for up to five years. **What does it involve?** If you meet the eligibility criteria and have accrued unused CCs, you may be able to top up any employer contributions by making: ▪ personal contributions that you claim a tax deduction for (see page 4), or ▪ salary sacrifice contributions (see page 2). You could do this for example: ▪ when you receive a bonus ▪ once you have sufficient cash flow to divert regular pre-tax salary to super ▪ when you receive a refund from your tax return, or ▪ with proceeds of sale from an investment, or other asset or windfall. Depending on your cash flow, financial commitments and personal circumstances, there are a couple of ways that you can make CCs. Your financial adviser can help determine the right fit for you. **Important information** These contributions are treated as CCs and count towards your CC cap. Exceeding your cap may result in significant tax penalties. Additional information on CCs is in the **Glossary** or visit **ato.gov.au**	**Savings boost** By making regular additional contributions to super, you're helping build up your account balance again. What's more, making tax-effective super contributions via salary sacrifice or a personal deductible contribution (see below) can be a great way to boost your cashflow even more. **Tax management** CCs are a tax effective way to save for retirement. This means more of your money (after-tax) is invested for you today. If you're able to make even larger CCs by using the catch-up contribution rules, not only is this an even greater boost for your retirement investments, but the tax savings (which you might receive via a refund on your tax return) could be even greater. This could either help with cashflow or provide you with even more capacity to make additional contributions to super in a future financial year. Salary sacrifice contributions are generally taxed at the concessional rate of up to 15%[8], rather than your marginal rate which could be up to 47%[9]. The tax deduction you claim for personal contributions reduces your assessable income and generally provides a tax saving. Also, earnings on your super savings are taxed at 15% compared to your marginal tax rate of up to 47%. **Find out more** To find out more about catch up contributions, including eligibility criteria and other important information that you must consider before making super contributions, see: ▪ **'Super Strategies: Top up your super with 'catch-up' contributions'**, and ▪ **ato.gov.au**

8 Individuals with income from certain sources above $250,000 will pay an additional 15% tax on salary sacrifice and other concessional super contributions within the cap.

9 Includes Medicare Levy.

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Strategy	At a high level…	What's the benefit?
Re-contribute amounts released under the COVID-19 early access provision	**Who could this work for?** If you accessed an amount from your super savings under the temporary COVID-19 compassionate grounds condition of release in 2019/20 or 2020/21, you may be able to make a personal contribution to superannuation without impacting your contribution caps. **What does it involve?** From 1 July 2021 to 30 June 2030, if you're eligible and when circumstances allow, you may be able to make a personal contribution to superannuation and notify your super fund that the amount is a re-contribution of your COVID-19 released benefits. The contribution will not count towards your non-concessional contributions cap. **Important information** You must provide your super fund with an approved election form no later than the time you make the contribution, to nominate the amount as a COVID-19 recontribution amount. If you don't provide this form within the required timeframe, the contribution will be assessed as a personal contribution and will count towards your non-concessional cap. You cannot claim a tax deduction for COVID-19 recontributions, and the total of all contributions under this provision cannot exceed the total amount that you had released to you under the temporary COVID-19 condition of release. You'll need to meet a work test to contribute to super if you're aged 67 or over at the time you make the contribution.	**Savings boost** By making additional contributions to super as your circumstances change, you're helping build up your account balance again. By making a contribution under the COVID-19 recontribution rules, you can boost your savings without impacting your other contribution caps. **Find out more** To find out more about COVID-19 recontributions, speak to your financial adviser or visit ato.gov.au

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<tr><td>Make a downsizer contribution</td><td>Who could this work for?

The events of the last 12 months have caused some of us to reconsider life and retirement plans. In some cases, this may have led to a sea change or tree change, or selling the current family home to move in with or be closer to children and grandchildren.

If you're 65 or older and you've sold an eligible property that you've lived in as your main residence, you may be able to contribute up to $300,000 of the sale proceeds to super as a 'downsizer contribution'.

What does it involve?

If you meet certain eligibility rules, you can contribute sale proceeds from an eligible dwelling to superannuation, without impacting your other contribution caps. You generally need to make the contribution within 90 days of settlement.

You need to have owned the property for at least 10 years and have lived in it at some point as your main residence. While it doesn't need to have been your main residence at the time of sale, you need to have applied the 'main residence capital gains tax exemption' at least partially.

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), the prohibition on making personal contributions from age 75 and the 'total super balance' test won't apply.

Important information

You must notify your fund you're your contribution is a downsizer contribution using an approved form. Notification must be made no later than the time you make the contribution. If you don't provide your fund with a valid notice, the contribution will be treated as a non-concessional contribution. Caps and different eligibility rules apply to non-concessional contributions, and penalties may apply if you exceed your caps.</td><td>Savings boost

By making additional contributions to super as your circumstances change, you're helping build up your account balance again. By electing to treat your contribution as a downsizer contribution, you can boost your retirement savings without impacting your other contribution caps.

Tax effective retirement savings

Earnings on your savings in super are taxed at the concessional rate of up to 15%, rather than your marginal tax rate, which could be up to 47%[10]

Social security assessment

If you're under your Age Pension age, any amounts in a super accumulation account are exempt from means testing to determine entitlements to benefits and concessions (unless you commence an account-based pension). Once you reach your Age Pension age, super investments are assessable when determining your entitlements.

Find out more

To find out more about downsizer contribution, see:

▪ Upsize super with downsizer contributions
▪ ato.gov.au

Note: In the 2021 Federal Budget, the Government proposed to extend downsizer contributions to individuals aged 60 or over. It is expected that if legislation is passed to make this change law, that this will apply from 1 July 2022. At the time of publication, legislation had not been passed to make this change law.</td></tr>
</table>

[10] Includes Medicare levy.

Glossary

A

Assessable income

Income, including salary and capital gains, you receive before allowable tax deductions.

C

Capital gains tax (CGT)

A tax on the growth in the value of assets or investments, payable when the gain is realised. If the assets have been held by an individual, trust or super fund for more than 12 months, the capital gain generally receives concessional treatment

Concessional contribution cap

A cap that applies to certain super contributions. These include, but are not limited to:

- personal contributions claimed as a tax deduction, and/or
- contributions from an employer (including salary sacrifice).

Concessional contributions are taxed at the concessional rate of up to 15%. If you're a high income earner (with income for this purpose above $250,000 pa) you will pay an additional 15% on certain concessional contributions, you receive.

The concessional cap for 2021/22 is $27,500. If you're eligible, you may be able to carry forward unused concessional contributions to make larger contributions in a future year. You may be able to carry forward unused concessional contributions for up to five years. Eligibility rules apply.

If you exceed the concessional cap, additional tax penalties may apply. See [ato.gov.au](ato.gov.au) for more information.

Condition of release

Circumstance upon which you can withdraw your super benefits. This is generally when you reach age 65 or meet the specific 'retirement definition'. In certain circumstances you may be able to access some of your super early if you meet certain other conditions, generally related to hardship. See [ato.gov.au](ato.gov.au) for more information.

M

Marginal tax rate

The stepped rate of tax you pay on your taxable income. See [ato.gov.au](ato.gov.au)

N

Non-concessional contribution cap

A cap that applies to certain 'after-tax' super contributions. These include, but are not limited to:

- personal after tax contributions, and
- spouse contributions received.

The cap is $110,000 in 2021/22. However, if you are under age 67 at some point during the financial year, it may be possible to contribute up to $330,000 in 2021/22, provided your total non-concessional contributions in that financial year, the last two proceeding years, and the following two financial years, do not exceed $330,000. If the cap is exceeded, excess contributions may be taxed at the top marginal tax rate of 47% if not removed from the fund. Other eligibility criteria applies, see [ato.gov.au](ato.gov.au).

P

Personal after-tax super contribution

A super contribution made by you from your after-tax pay or savings.

S

Salary sacrifice

An arrangement made with an employer where you forgo part of your pre-tax salary in exchange for receiving certain benefits (eg super contributions).

Spouse contribution

An after-tax super contribution made on behalf of an eligible spouse. If the receiving spouse has income (for this purpose) of less than $40,000, the contributing spouse may be eligible to claim a tax offset of up to $540.

Superannuation Guarantee (SG) contributions

The minimum super contributions an employer is required to make on behalf of eligible employees is 10% of ordinary times earnings in (2021/22) up to the maximum super contribution base limit of $58,920 (2021/22) per quarter.

T

Tax deduction

An amount that is deducted from your assessable income before tax is calculated.

Tax offset

An amount deducted from the actual tax you have to pay (eg franking credits).

Taxable income

Income, including salary and capital gains, you receive after allowing for tax deductions.

Next steps

To find out more about how these strategies could work for you or any other issues or concerns you may have, we recommend you contact your financial adviser.

Important information and disclaimer

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