

Superannuation – Non-concessional contributions

Making non-concessional contributions into superannuation increases your retirement savings and your tax-free component.

Benefits

- Investing in superannuation boosts your savings to help meet your retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at your marginal tax rate. This helps your savings to grow faster.
- Your tax-free component will increase. This amount can be withdrawn tax-free at any age (subject to preservation rules).
- The tax-free component is not taxable if paid as a lump sum death benefit to any of your dependants (even adult children). This can increase the amount payable to your family or estate.
- Depending on your income for the year and satisfying eligibility requirements, the Government may contribute \$0.50 for every \$1.00 of non-concessional contributions you make, up to a maximum of \$500.
- Department of Human Services entitlements may increase if you are under Age Pension age (or under age 60 if a veteran) due to exemptions on the assessment of superannuation.

How it works

To be eligible to contribute to superannuation, you must be either under age 65, or 65-74 and have worked at least 40 hours in any 30 consecutive days in the current financial year. Contributions must generally be accepted no later than 28 days after the month in which you turn 75.

Non-concessional contributions are made from after-tax income and may include:

- personal contributions where you have not claimed an income tax deduction
- after-tax salary that you have requested your employer to direct into superannuation on your behalf
- spouse contributions
- contributions in excess of your capital gains tax (CGT) cap from business assets
- most transfers from foreign superannuation funds.

Non-concessional contributions do not include superannuation guarantee (SG) contributions, salary sacrifice or certain contributions resulting from personal injury payments.

Non-concessional contributions form part of the tax-free component of your superannuation account, which is tax-free when withdrawn from super, even whilst you are under age 60.

Non-concessional contribution caps

There is a cap on how much you can contribute as a non-concessional contribution each year. The non-concessional contribution cap for 2017/18 is \$100,000.

Important: This document contains general information about the benefits, costs and risks associated with certain product classes and strategies. It has been prepared without taking into account your objectives, financial situation or needs. Because of this you should, before acting on any advice in this document, consider whether it is appropriate to your personal circumstances.

The 'bring-forward' rule effectively allows you to bring forward up to an additional two years' worth of non-concessional cap and add it to the current year's cap. If eligible, you may be able to contribute up to \$300,000 over the three year period. The total bring-forward amount you're able to trigger will reduce if your total superannuation savings are at least equal to \$1.4 million on the 30th of June prior to the financial year in which you trigger the bring-forward rule.

The bring-forward rule is automatically triggered if you're eligible and make non-concessional contributions in a financial year that exceed your annual non-concessional limit. Once triggered, your non-concessional contribution cap will not be indexed for the next two years. In addition, you must have total superannuation savings of less than \$1.6 million at 30 June to be eligible to make any non-concessional contributions in the following year.

These rules are complex so it is important that you get advice.

If you exceed your NCC cap, the excess contribution may be withdrawn from superannuation, along with any associated earnings within 60 days of the excess being determined by the ATO. The associated earnings will be included in your assessable income and taxed at your marginal tax rate. If you do not make the election to withdraw within 60 days, the excess contribution will be taxed at 47%.

Risks and Consequences

- All contributions to superannuation are preserved until you meet a condition of release. You need to be sure that you do not need access to the amount contributed until you retire.
- If you exceed your NCC cap excess contribution significant tax penalties may apply.
- You will not be eligible to make non-concessional contributions if you have total superannuation savings exceeds the general transfer balance cap of \$1.6 million or more as at the prior 30 June. The total amount of superannuation monies used to start pensions will be capped at \$1.6 million (cap applies in 2017/18 and may be indexed). You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- If you do not make an election to withdraw any excess concessional contributions that you make to super, they will be counted towards your NCC cap which may reduce your capacity to make additional NCCs.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

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