# Advice strategies and resources for EOFY 2024/25

MLC TechConnect

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# Advice strategies and resources for EOFY 2024/25

As we approach the end-of-financial-year (EOFY), now is a great time to talk to your clients about ways to maximise super, optimise income streams and manage tax.

In this guide, we outline the key opportunities and considerations to discuss with your clients in the lead up to 30 June and beyond. This guide forms part of our comprehensive **EOFY toolkit**, which contains a suite of client facing concept cards, infographics and more.

## General super advice considerations

### Check 30/6/2024 TSB to determine 2024/25 contribution eligibility

When evaluating super contribution opportunities for your clients this EOFY, it's important to identify their total super balance (TSB) on 30 June 2024. This will help determine eligibility to make super contributions this financial year that are impacted by TSB. The table below summarises the TSB limits that apply to super contributions and includes links to where you will find more information on these contributions in this guide.

| Contribution type | TSB limit at 30/6/2024 (for contributions in 2024/25) |
|---|---|
| **Non-concessional contributions (NCCs)** up to annual cap of $120,000 | $1.9m |
| **NCCs under bring forward rules**<br>• up to $240,000<br>• up to $360,000 | <br>• $1.66m to < $1.78m<br>• <$1.66m |
| **Spouse contributions** | $1.9m (receiving spouse) |
| **Government co-contributions** | $1.9m |
| **Personal deductible contributions** where client needs to meet the 'work test exemption' | $300,000 |
| **Catch-up concessional contributions** | $500,000 |

**More resources**

- **TSB fundamentals and impact on contributions** (adviser article)
- **How to track total super balance** (client article)

### Consider impact of additional contributions on future advice opportunities

**Consider impact on 30/6/2025 TSB**

When providing advice in 2024/25, it's important to take into account the impact that contributions made in this financial year could have on your clients' 30 June 2025 TSB, as this will impact eligibility to make certain super contributions in 2025/26. For example, a client may plan to realise a taxable capital gain next financial year and could benefit from making a larger personal deductible contributions (PDCs) under the **catch-up rules**. In this case, it's important to ensure your client's 30 June 2025 TSB doesn't exceed the $500,000 threshold that applies when making catch-up concessional contributions (CCs).

**Consider timing of downsizer contributions**

While downsizer contributions aren't restricted by TSB, they are included in TSB once they are made. Where the sale proceeds are received close to the end of the financial year, delaying a downsizer contribution until next financial year may help ensure the 30 June 2025 TSB remains below the cut-off thresholds required to make certain contributions. Downsizer contributions must be received within 90 days of property settlement.

**Consider timing when triggering a new NCC bring-forward**

Clients may want to trigger a bring-forward before 30 June 2025 if this is the last financial year they can make **NCCs** because of their age[1] and/or TSB. For other clients, delaying the triggering of the bring-forward until 2025/26 or beyond may enable them to maximise NCCs. This includes clients who may benefit from the higher **NCC TSB thresholds** that come into effect on 1 July 2025.

### More resources

- **TSB fundamentals and impact on contributions** (adviser article)
- **Seven ways to maximise NCCs** (adviser article)
- **Downsizer contributions** (adviser article)
- **How to track total super balance** (client article)

## Consider strategies to help manage super balances for couples

There may be circumstances where members of a couple want to manage their respective super balances. This could include, for example, to:

- enable future contributions to be made where eligibility is impacted by TSB, including **NCCs** and **catch-up CCs**
- keep super benefits below the general transfer balance cap to maximise the combined amount that can be transferred into **retirement phase pensions**
- direct super money to the older member of the couple who can access their benefits and tax concessions earlier
- direct super money to the younger member of the couple to improve social security outcomes (as super benefits aren't assessed under the assets test until age pension age is reached), and
- protect against future legislative risks.

There are a range of strategies that may be used this EOFY and beyond to help manage super balances for couples, including:

- **splitting eligible CCs** made or received in 2023/24 with the spouse
- making **spouse contributions**, rather than voluntary personal contributions
- cashing out super and contributing to the spouse's super account, and
- allocating downsizer contributions and/or CGT cap contributions under the retirement exemption to the spouse with the lower TSB.

[1] An individual must have been under age 75 on the prior 1 July to trigger the bring-forward rule. NCCs must be received by the super fund no later than 28 days after the end of the month in which the person turns age 75.

## Make sure super contributions are made in time

Clients wanting to make additional super contribution this financial year must do so before 30 June 2025 to ensure they count towards the 2024/25 caps. As a general guide, a super contribution is made when it's received by the super fund. For example, if a client is contributing electronically, the contribution is deemed to have been made when the funds are credited to the super account, not the day the client makes the transfer.

Tax Ruling **TR 2010/1** provides a number of examples of when a contribution is deemed to have been made[2]. Individual super funds may also have specific requirements and deadlines that need to be considered when making super contributions towards the EOFY.

# Concessional super contributions

## Make personal deductible contributions

Clients may want to make a personal super contribution before 30 June and claim a tax deduction if they:

- want to top up employer SG and salary sacrifice contributions tax-effectively
- **terminate employment** and receive taxable employment termination payments or lump sum unused leave entitlements
- receive bonuses
- receive taxable investment income, or
- realise **taxable capital gains** on the sale of CGT assets.

Each of these opportunities may also be enhanced by taking advantage of the **catch-up rules**.

When making PDCs, it's important that a 'Notice of intent' is lodged within the required timeframes and an acknowledgement is received before:

- the client lodges their tax return, and
- rolling over funds, withdrawing lump sums or commencing a pension.

### More resources

- **Steps to claiming a super deduction** (adviser article)
- **ABCs of PDCs** (adviser article)
- **Salary sacrifice vs PDCs** (adviser article)
- **Make tax deductible super contributions** (client article)
- **Steps to claiming a tax deduction for a super contribution** (client article)

## Consider double deduction strategy (SMSFs)

It's sometimes possible for an SMSF member to make a personal contribution, claim the deduction in one financial year and have the contribution counted against the following financial year's CC cap. Doing this increases the amount that can be claimed as a deduction in a particular financial year.

Personal contributions made to an SMSF must be allocated to a member's account within 28 days after the end of the month following the contribution. If a contribution is made on 1 June, it must be allocated to a member's account before 28 July. The member may still claim a tax deduction for their personal super contribution in the year it's contributed.

### More resources

**PDCs: tips and traps for SMSFs** (adviser article)

2 TR 2010/1 paragraph 13 provides a useful summary table of different types of transactions.

## Explore catch-up CC opportunities

Clients may be eligible to make CCs exceeding the annual cap ($30,000 in 2024/25) under the 'catch-up rules' if they:

- had a TSB of less than $500,000 on 30 June 2024, and
- have unused CCs from the previous five financial years (2019/20 to 2023/24).

Clients must exceed the current annual CC cap to utilise their unused CC cap amounts from the previous five financial years and amounts are deducted from the earliest available financial year to the latest.

This financial year is the last opportunity to use any unused CC cap from 2019/20.

The maximum amount that can be contributed under the catch-up rules in 2024/25 is $162,500 and will increase to $167,500 in 2025/26 – see table below.

Catch-up CCs can help clients to:

- maximise tax-effective super contributions
- make-up for when they were unable to contribute (eg because they were out of the workforce), and
- manage tax (eg where they receive a taxable redundancy payment or **realise a taxable capital gain**).

| Financial year | Maximum CCs available in 2024/25 | Maximum CCs available in 2025/26 |
|---|---|---|
| 2019/20 | $25,000 | |
| 2020/21 | $25,000 | $25,000 |
| 2021/22 | $27,500 | $27,500 |
| 2022/23 | $27,500 | $27,500 |
| 2023/24 | $27,500 | $27,500 |
| 2024/25 | $30,000 | $30,000 |
| 2025/26 | | $30,000 |
| **Total** | **$162,500** | **$167,500** |

### More resources

- **TSB fundamentals and impact on contributions** (adviser article)
- **Catch-up CC strategies** (adviser article)
- **How to track total super balance** (client article)
- **How to monitor carried forward CCs** (client article)
- **Top up super with 'catch up' contributions** (client article)

## Split super contributions

A client may want to split eligible CCs they made or received in 2023/24 (ie last FY) into their spouse's super account in 2024/25. This could help eligible clients to **manage super balances as a couple**. The split will need to be completed before 30 June 2025 to reduce the TSB on that date. If **PDCs** are to be split, the 'Notice of Intent' needs to be submitted and acknowledged by the fund before the contribution splitting application is lodged.

### More resources

- **Contribution splitting** (adviser article)
- **Steps to claiming a super deduction** (adviser article)
- **Split your super contributions to your spouse** (client article)

## Consider SG increase from 1/7/2025

The Superannuation Guarantee (SG) contribution rate will increase to 12% on 1 July 2025.

While most employees will receive additional SG contributions, those under a 'total employment cost' arrangement may have their cash salary reduced to offset the increase in SG payments.

Clients with ongoing salary sacrifice arrangements in place should review their agreement and the amount to be salary sacrificed in 2025/26. They will need to take into account the increased SG rate and ensure they remain within their available CC cap (which may be higher than the annual cap of $30,000 if they are eligible to make **catch-up CCs**).

Small business owners should review their systems prior to 1 July 2025 to ensure they will meet their obligations to their employees based on the increased rate.

### More resources

- **Guide to SG** (adviser article)
- **Salary sacrifice vs PDCs** (adviser article)
- **Sacrifice pre-tax salary into super** (client article)

## Non-concessional super contributions

### Maximise NCCs

The NCC caps increased on 1 July 2024 and the TSB thresholds that limit NCCs will increase on 1 July 2025 – see table below.

| 2023/24 | | 2024/25 | | 2025/26 | |
|---|---|---|---|---|---|
| **TSB at 30/6/2023** | **NCC cap** | **TSB at 30/6/2024** | **NCC cap** | **TSB at 30/6/2025** | **NCC cap** |
| $1.9m + | $0 | $1.9m + | $0 | $2m | $0 |
| $1.79m to < $1.9m | $110,000 | $1.78m to < $1.9m | $120,000 | $1.88m to < $2m | $120,000 |
| $1.68m to < $ 1.79m | $220,000 | $1.66m to < $ 1.78m | $240,000 | $1.76m to < $ 1.88m | $240,000 |
| < $1.68m | $330,000 | < $1.66m | $360,000 | < $1.76m | $360,000 |

There are a number of **NCC advice opportunities** to consider for suitable clients, before and after 30 June this year. These may include:

- completing a previously triggered bring-forward in 2024/25 or 2025/26
- triggering a new bring-forward before 30 June 2025, and
- making an NCC up to the annual cap in 2024/25 and triggering a new bring forward in 2025/26 or beyond.

There are also some strategies that could be used in 2024/25 to manage a client's 30/6/2025 TSB and enhance NCC opportunities in 2025/26. These include:

- **splitting eligible CCs** made or received in 2023/24 with their spouse
- cashing out super and contributing to the spouse's account, and
- making additional withdrawals from a transition to retirement or retirement phase pension.

**More resources**

- **Seven ways to maximise NCCs** **(**adviser article)
- **Recontribution strategy and opportunities** (adviser article)

## Make spouse contributions

Clients may be eligible for a tax offset of up to $540 when making super contributions of up to $3,000 into their spouse's super account, if their spouse's income is $37,000 pa or less in 2024/25.

The offset gradually reduces for incomes above $37,000 pa and completely phases out at $40,000 pa or more. The offset also reduces if the spouse contribution is less than $3,000 – see table below.

| Spouse's assessable income (AI)[3] | Maximum rebatable contributions (MRC) | Max. offset 18% of lesser of: |
|---|---|---|
| $37,000 or less | $3,000 | MRC or actual contributions (max $540) |
| $37,001 – $39,999 | $3,000 – (AI – $37,000) | MRC or actual contributions |
| $40,000 + | $0 | $0 |

**More resources**

**Boost your spouse's super and reduce your tax** (client article)

## Qualify for Government co-contribution

Lower income clients may be eligible for a Government co-contribution of up to $500 if they make NCCs. In 2024/25, the maximum $500 co-contribution is available if they contribute $1,000 and earn $45,400 pa or less. A lower amount may be received if they contribute less than $1,000 and/or earn between $45,401 and $60,400 pa – see table below.

| Assessable income (AI)[4] | Personal contribution | Co-contribution available |
|---|---|---|
| $45,400 or less | Any amount | Personal contribution x 0.5 (max $500) |
| $45,401 – $60,400 | $0 – $1,000 | Lesser of:<br>personal contribution x 0.5, or<br>$500 – [0.03333 x (AI – $45,400)] |
| | $1,000 + | $500 – [0.03333 x (AI – $45,400)] |
| $60,401 + | Any amount | Nil |

**More resources**

**Top-up your super with help from the Government** (client article)

3 Includes assessable income plus reportable fringe benefits and reportable employer super contributions.

4 Includes assessable income plus reportable fringe benefits and reportable employer super contributions. To calculate available co-contribution only, assessable income is reduced by business deductions.

# Super income streams

## Consider advice opportunities created by indexation of TBC

The general transfer balance cap (TBC) will increase from $1.9m to $2m on 1 July 2025. While clients who have already used all of their TBC won't benefit from the higher cap, there may be advice opportunities for clients who:

- are yet to start a retirement phase pension
- have not fully utilised their personal TBC and are looking to transfer additional amounts into retirement phase, or
- have a transition to retirement (TTR) pension and will meet a full condition of release before 30 June.

### Clients who are yet to start a retirement phase pension

When advising clients wanting to start a retirement phase pension for the first time, it's important to determine whether they should:

- start the pension now to benefit from tax exempt investment earnings on up to $1.9m as soon as possible, or
- wait until after 1 July 2025 to benefit in full from the higher TBC of $2m.

Some issues to consider when making this assessment are:

- the timing to commence receiving tax-free investment returns
- if the super fund will realise a capital gain before 1 July 2025, then doing so in pension phase may be more tax-effective
- the likelihood the client will be able to take advantage of the higher TBC, and
- whether the client has a future entitlement to a super death benefit (which may include an insurance component) and the benefit of having a higher personal TBC.

### Clients in retirement phase who haven't used all their personal TBC

Clients who have already started a retirement phase pension but haven't fully used their personal TBC, will be eligible for a proportion of the $100,000 TBC increase, based on their 'unused cap percentage'. Clients with sufficient super to be able to benefit from proportional indexation of their personal TBC may want to defer transferring additional amounts into retirement phase until after 30 June.

### TTR clients who meet a full condition of release before 30 June

It's important to review clients with a TTR pension if they will meet a full condition of release before the end of the financial year. Consideration should be given to commuting the pension before the condition of release is met, to maximise TBC indexation from 1 July and/or avoid a transfer balance excess.

**Note:** A TTR pension will convert to retirement phase when a client turns 65 (automatically) or when they notify the trustee they have met another full condition of release.

### More resources

- **Guide to transfer balance cap** (adviser guide)
- **How to monitor the transfer balance account** (client article)

## Meet pension minimums (SMSFs)

SMSF trustees must make the required minimum pension payments to comply with pension standards. Where an SMSF trustee fails to make a minimum pension payment:

- the pension is deemed to be in accumulation phase for the whole financial year, and
- a debit for the transfer balance account report (TBAR) event arises at the end of the financial year.

Where a member needs more than the required minimum pension drawdown, the amount exceeding the minimum pension drawdown can be paid as a separate lump sum (see below) to create debits in their TBA.

**More resources**

- **ATO: minimum pension standards** (ATO website)
- **Minimum pension requirements and implications** (adviser article)

## Take more than the minimum income as a lump sum

Clients with an account-based pension who wish to withdraw more than the annual minimum payment may want to take lump sum withdrawals, rather than regular pension payments. This is because lump sum withdrawals create a debit to the TBA and therefore reduce the client's TBA balance, whereas regular pension payments have no impact on a client's TBA.

Reducing the TBA can enable the client to:

- transfer additional accumulation benefits to a tax-free retirement phase pension, or
- receive a higher amount of a deceased spouse's super death benefit as a death benefit pension in the future.

An election must be made to receive the extra payments as a lump sum before the withdrawals are made, otherwise they will be classified as pension payments. Such elections may be administratively simpler for one-off additional payments, but more complex where a person wants to receive regular pension payments that exceed the minimum required.

Care should be taken to ensure appropriate elections are made. Specialist advice may be needed for SMSFs.

**More resources**

- **Guide to transfer balance cap** (adviser article)
- **How to monitor the transfer balance account** (client article)

# Other EOFY strategies

## Maximise gifting thresholds

Assets of up to $10,000 per financial year (or $30,000 across a five year rolling period) can be gifted before there is any impact on social security entitlements. Social security clients who want to provide financial assistance to family or friends may be able to contribute $20,000 in a short space of time (ie $10,000 in June and $10,000 in July).

## Manage CGT on asset sales

There's a range of strategies that could be used to manage the capital gains tax (CGT) that may be payable when disposing of assets. These include:

- deferring the sale until the asset has been held for 12 months to benefit from the 50% CGT discount
- deferring the sale to another financial year if it's expected the client's other taxable income will be lower
- spreading the sale over several years to smooth out the impact on taxable income in any given year
- selling assets that trigger a capital loss to offset gains made on other assets in the same financial year (while ensuring it's appropriate to sell the asset and that 'wash sales' provisions aren't breached)
- offsetting any realised capital losses against gains from assets not eligible for the 50% discount, and
- making a **personal deductible super contribution** (perhaps by also utilising the **catch-up rules**) to offset some or all of a taxable capital gain from the sale of an asset in the same financial year.

## Pre-pay deductible expenses

Pre-paying certain expenses can bring-forward the tax deduction and reduce assessable income in 2024/25. Examples of deductible expenses that may be pre-paid include:

- premiums on an income protection policy held outside super
- interest on a fixed rate investment loan
- expenses for a rental property, and
- work related subscriptions.

## Defer retirement / redundancy to new financial year

Deferring retirement (or a redundancy where discretion is available) to a new financial year may reduce the amount of tax payable on:

- taxable employment termination payments (ETPs)
- accrued annual leave entitlements
- accrued long service leave entitlements.

Some other key things to keep in mind are:

- termination payments must be paid within 12 months of the termination of employment to qualify for concessional tax rates
- tax payable next financial year may be managed by making a **personal deductible super contribution** if eligible
- if preservation age is reached next financial year, a lower concessional tax rate may be payable on ETPs, and
- the ETP cap will be indexed on 1 July, meaning more ETPs may receive concessional tax treatment.

### Important information and disclaimer



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