Your guide to

Superannuation Rules 2021

From minor changes to larger adjustments, superannuation is constantly undergoing change from the Government. Understanding super, however, remains critical to the success of your retirement planning. Here are some basic superannuation rules from 1 July 2021.

Benefits and deductions

Benefitting from spouse contributions

An individual making a contribution into their spouse's super account may be entitled to a maximum tax offset of $540 if the spouse earns $37,000 or less per annum.

Claiming a tax deduction on super contributions

Employees and self-employed individuals can claim a personal tax deduction for contributing to your super. This amount increases to $27,500 for 21/22 Financial year and includes your employer's contributions.

If your super balance is below $500,000, you can carry forward any unused cap for five years, These concessional contributions are taxed at 15% on entry into your super fund.

Low-income super tax offset

A low-income super tax offset (LISTO) is available to help low-income earners save for retirement. If you earn income up to $37,000, you may be eligible to receive a refund into your superannuation account on the tax paid on your concessional superannuation contributions (15% tax on entry in the fund) up to a cap of $500.

Restrictions

Tax-free pensions limited to $1.7 million balance

When you convert your super into a pension to derive an income in retirement and achieve tax free status, you'll be restricted to transferring a maximum of $1.7 million per person into the pension phase.

Any additional super stays in 'accumulation' mode and continues to be taxed at 15%. Should the pension balance grow above $1.7 million from wise investment, it remains tax free.

Contributions

The work test for voluntary contributions has gone

Retirees aged between 67 and 74 wll now be able to make non-concessional contributions without meeting the work test subject to the other contributions caps.

Government co-contribution

Depending on your income and after-tax contributions, the government can contribute up to $500, tax free. This co-contribution is also not taxed when it is deposited into or withdrawn from your account.

The full $500 co-contribution applies to individuals who earn $41,112 or less and contribute at least $1,000 into their super, however partial co-contribution is available for those earning up to $56,112.

Non-concessional contributions caps

You can contribute, $110,000 p.a. into your super, with the ability to bring forward 3 years of contributions to make a maximum $330,000 contribution up to age 74. Once your super reaches a balance of $1.7 million, you will not be able to make any more Non-concessional contributions (NCC) NCC do not incur any tax on entry into your super.

So where is super going?

Recent changes to super rules are more about limiting the amount that can go into your fund to receive tax advantages, rather than removing those advantages altogether.

In the past, individuals could afford to wait till they were near retirement before making large contributions to their super.

Now superannuation rules today limit pre-retirement planning, meaning you need to think about retirement planning earlier if you want to maximise the tax advantaged amount you have in super.

arcinvest can help you in superannuation and retirement planning, providing advice on picking the right super fund, investing and managing your fund, and ensuring you are making the most from the tax benefits available. Allan Hanson is a fully certified practitioner and principal of **arcinvest**.

Book a complimentary consultation to get started on your retirement planning journey.

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