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Time to Consider the Future

For those who haven't noticed, it is June once again and as usual many farmers have been busily sowing the seed, while there is still time, for an expected harvest later in the year. In financial terms, it is also a time for "sowing the seed". A time for putting some money away for the future, and for most people over 40 this generally means contributing to superannuation.

This year, the rules have changed yet again, so while you may be happy to do exactly the same as last year, it is probably a worthwhile exercise to reassess your strategy. In some cases, the steps you took last year may not be effective this time around. In others, there may now be a better approach that you weren't aware of.

For employees, the 30 June deadline isn't the big issue that it is for self-employed people. Nevertheless, there are some very useful strategies which can be utilised. For those earning less than $58,980 (including benefits), an after tax contribution of up to $1,000 to your super fund can make you eligible for a government co-contribution of up to $1,500. If you can find the cash, this can create a great return on investment in a short space of time.

If your spouse earns less than $13,800 (including benefits), you may also be able to make an after tax contribution on their behalf, and receive a tax offset of up to $540. This works especially well for higher income earners with non-working spouses, and can be used in conjunction with the co-contribution strategy described above, if desired.

Another issue for employees, is whether they should commence some sort of salary sacrifice strategy for the following financial year. By redirecting a greater portion of your wage to your super fund, you can save substantial amounts of tax, as well as implementing a very effective savings plan. The major problem here is that you still need cash to live on, however, if you are over 55 you may be able to commence a pre-retirement superannuation pension to supplement your income.

For the self-employed, the opportunity remains to make substantial tax deductible contributions to a superannuation fund, and this year you will receive a "dollar for dollar" deduction for the first time. If you are 50 or older on 30 June this year, you can claim up to $100,000 as a deduction in your tax return. If younger than this, the limit reduces to $50,000. The self-employed are now also able to access the government co-contribution for after tax contributions, as long as their income is not too high.

For those under 65, (or under 75 and still working), and who have some spare cash or shares, transferring these into a superannuation fund on an after-tax basis is worth considering, given the ongoing tax advantages of doing so.

Despite the recent "simplification" measures, the superannuation contribution rules can be very complex and confusing. Speak to a professional advisor if you are in any doubt about the best way of providing for your future.