Opportunity Knocks!

A one off opportunity now exists for many investors looking to place money into superannuation. The Federal Government has recently announced a number of changes to superannuation, particularly in relation to contribution eligibility and the amount of after-tax contributions that can made each year. These changes replace some of the superannuation-related measures that were previously announced in the May 2016 Federal Budget

What does this mean for you?

If you are under 65: The change that may impact you the most is the removal of the proposed $500,000 lifetime cap on after-tax (or non-concessional) contributions that was to apply from 3 May 2016. As a result, the current contribution rules which allow up to $180,000 of after-tax contributions annually, remain in place this financial year. The current rules also allow those who are under age 65 at any time in 2016/17 to bring forward up to two future years of contribution entitlements, allowing a maximum amount of $540,000 by 30 June 2017.

Contributing less than $540,000 before 1 July 2017 will result in a reassessment, and subsequent reduction, of your contribution capacity in the following financial years.

From 1 July 2017 the annual limit on after-tax contributions is proposed to be reduced from $180,000 to $100,000. Those who are under age 65 at any time in the relevant financial year will still be able to bring-forward up to two years' contributions entitlements, but the maximum contribution amount will reduced from $540,000 to $300,000. This means that this announcement presents an opportunity to maximise your superannuation contributions before the end of this financial year

To be able to make after-tax contributions after 1 July 2017, you will also need to have a total superannuation balance of less than $1.6 million as at 30 June of the previous financial year.

If you are turning 65 before 30th June 2017: The change that may impact you the most is the Federal Government's proposal to retain the 'work test', which is used to determine eligibility to make certain superannuation contributions. The work test requires that those aged 65 to 74 are gainfully employed for at least 40 hours in 30 consecutive days during the financial year before their superannuation fund can accept contributions. This test was previously proposed to be removed from 1 July 2017.

As you're tuning 65 this financial year, you may have the opportunity to make additional superannuation contributions without needing to meet the work test. However, once you reach age 65, you will generally need to meet the work test to make any further superannuation contributions.

Under current contribution limits, you are able to make $180,000 of after-tax superannuation contributions per year, and as your 65th birthday occurs in this income year, you are able to bring forward up to two future years of contribution entitlement. This means that you may be able to contribute a maximum of $540,000 by 30 June 2017.

If you are already 65: As you are over age 65, you will need to meet the work test to be able to make further superannuation contributions. If the work test is met, you may be able to make up to $180,000 of after-tax contributions this financial year (ie 2016/17). The limit on after-tax contributions is proposed to be reduced to $100,000 per year from 1 July 2017.

These are complicated superannuation matters and we recommend consultation with a Financial Adviser.

Note: further changes to these proposals are possible given legislation to implement these measures has not been released - this is expected by the end of the year.