

TICK TOCK, THE SUPER CLOCK



PERPETUAL
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Superannuation has had more air time in recent months than Brexit and the new US President. Ok, maybe that's a stretch. But coverage has been extensive. Sprinkled with delightful terms like non-concessional contributions, balance transfer caps, bring-forward rules.

Reaching for a Panadol?

Take a deep breath. Superannuation is still a highly tax-effective way for you to save for your retirement. Should it form a central pillar of most people's retirement income strategies? In our view, absolutely.

But there is a deadline you should be aware of. The changes, that come into effect on 1 July 2017, will reduce the amount you can contribute to superannuation. So if you're in a position to boost your superannuation balance, the clock is ticking.

We'll take a look at some of the changes in this article. But first, let's bust some jargon...

NON-CONCESSIONAL CONTRIBUTIONS

Additional contributions you can make to your superannuation from your after-tax income. Asking yourself why you should bother putting this money into super, given you've already paid tax on it? It comes down to the potential earnings on these contributions – they will be taxed at a maximum of 15%, potentially giving you a better after-tax return than the same investment outside super.

BRING-FORWARD RULE

You can bring-forward two years' worth of non-concessional contributions into your super, provided you are under the age of 65 as at 1 July 2016 and have not already triggered the bring-forward rule in the last two years.

And now, the changes you need to consider carefully...

CUT TO NON-CONCESSIONAL CONTRIBUTIONS

This is particularly important if you are close to retirement and have the funds to boost your superannuation balance. Because the new rules will significantly reduce the level of the non-concessional contributions you can make.

Currently, a non-concessional contributions cap of \$180,000 per year applies, or \$540,000 over a three year period when you trigger the bring-forward rule. After 1 July 2017, this falls to \$100,000 per year, or \$300,000 over three years, reducing the amount you can contribute to super.

The advantage of triggering the bring-forward rule *in the current financial year* is that you contribute under the existing cap, which is more generous.

HOW DO YOU TRIGGER THE BRING-FORWARD RULE?

Under current legislation, if you're under age 65 on 1 July you trigger the bring-forward rule by making a non-concessional contribution of more than \$180,000 in a financial year. From 1 July 2017, you will trigger the bring-forward rule with a contribution exceeding \$100,000 in a financial year.

HEARD ABOUT THE TRANSFER CAP VALUED AT 1.6 MILLION?

You can't wear the cap – but you'll have to wear the consequences.

From 1 July 2017, the Government is limiting the amount you can transfer from the accumulation phase of your super (where you put money before you retire) to the pension phase (where you draw an income stream as a retiree).

You will be able to transfer a maximum of \$1.6 million from the accumulation phase to the pension phase. The good news is that an uncapped amount can still remain in your accumulation phase, taxed at a maximum of 15% on fund earnings, which is likely to be lower than the tax rate on investments outside super.

It's another reason why you should consider getting as much into super before the changes come into effect.

PUT AWAY THE PANADOL – TALK TO US

If you are fortunate enough to have a substantial super balance, or are in a position to bolster your superannuation with the bring-forward rule, timing is of the essence. The rules of the game are changing significantly from 1 July 2017. You need to review your situation urgently so any changes made to your strategy can be implemented before the deadline.

The changes to super are complex, and we've only touched on a few in this article. Perpetual financial advisers can guide you through the reforms to make sure you have the right strategy in place.

A SUPER RESOURCE

To learn more about the changes to super and how they could affect you, [visit our super hub](#).