SPOUSE SUPER CONTRIBUTIONS SPLITTING

Divide your super contributions with your spouse and increase your retirement savings

- ✓ **Would you like to have early access to your super?**
- ✓ **Would you like to increase your spouse's retirement savings tax-effectively?**
- ✓ **Do you have a spouse under age 65 and not retired?**

How does it work?

Spouse contribution splitting can help you and your spouse accumulate more wealth for retirement by allowing you to split certain contributions from your super account to your spouse's super account. By doing so, you can take advantage of the taxation concessions available in retirement for monies inside the superannuation environment.

You can apply from 1 July each year to split certain contributions made to your super fund for the previous financial year, which means you need to get your contributions in by 30 June each year to be eligible.

What does it mean for me?

Can I claim a tax deduction for super contributions?

If you're eligible and want to claim a tax deduction for contributions made to your super account, you must notify the trustee of your intention to claim a tax deduction before you request a contribution split.

Spouse contribution splitting may have an important role to play in your retirement planning, particularly if you can split to an older spouse who might be able to access the benefits sooner than you. Alternatively, splitting to a younger spouse (who is below pension age) could assist in making the most of any Centrelink benefits.

How do I know if I qualify?

You have the ability to split certain superannuation contributions into your spouse's account and save for retirement by using the taxation concessions available through superannuation.

A 'spouse' under superannuation law is a person who is in a genuine domestic bona fide relationship as husband or wife (married and de facto) including same sex couples. The receiving spouse must be under 55 or aged 55-64 and not retired.

What type of contributions can be split?

Only concessional contributions can be split. Concessional contributions are generally made to a super fund by your employer or if you're self-employed, those made by you for which you claim a tax deduction. Examples of concessional contributions include super guarantee (SG) contributions, salary sacrifice amounts, and any amount allowed as a personal deduction in your income tax return. These contributions were subject to a 15% contribution tax when they were paid into superannuation. You can split up to 85% of your gross amount of taxable contributions up to your concessional cap across to your spouse's account. Concessional contribution caps are currently $25,000 p.a. for anyone under age 50 and $50,000* p.a. for anyone aged 50 and over.

Contribution splitting does not reduce the contributions you originally made for reporting and contribution caps purposes. All concessional contributions for a financial year, including any contributions transferred to your spouse after a contributions splitting application will be reported against your cap.

You can't split non-concessional contributions. Non-concessional contributions are personal super contributions which you've made from your after-tax income.

When can I do a super contribution split?

You can only make one valid application per financial year to your super fund to split contributions across to your spouse's account. The split generally occurs in the new financial year for contributions received in the previous financial year, which means you need to get your contributions in by 30 June each year to be eligible.

If you intend to roll your entire account balance out of your account, you may be able to split the eligible contributions across to your spouse's account prior to applying for the roll-over.

*It's proposed that from 1 July 2012, access to the $50,000 cap is restricted to those over 50 with total superannuation benefits of less than $500,000.

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Right Strategy. Right Time.

Putting it into practice

John is aged 55. John's employer contributed $50,000 (SG and salary sacrifice contributions) to John's super fund in the 2011/12 financial year. John also made $4,000 in personal non-concessional contributions during the same year. John's wife, Mary, who is 54 years old, does not have very much super as she has only been working on a part-time basis since the birth of their son. John talks to his super fund about splitting his contributions with Mary, and the fund advises him he is eligible to apply after 30 June 2012.

John completes the ***Superannuation contributions splitting application*** and lodges it with his fund in August 2012. John requests $40,000 of his $50,000 employer contributions be split into Mary's super fund. He is unable to split his $4,000 personal non-concessional contributions as he's not able to claim a deduction for them. His super fund accepts his application and determines it's valid since $40,000 is:

- less that 85% of the $50,000 contributed by his employer and
- under the concessional contributions cap of $50,000

His super fund transfers $40,000 to Mary's super fund in September 2012.

By splitting his super contributions with Mary:

- Mary benefits from an increased super balance
- If John keeps on working and Mary decides to retire permanently at age 55 she may access her super earlier than John.
- John reaches age pension age before Mary. When John applies for the Age Pension the super split to Mary is not assessed by Centrelink until Mary reaches age pension age or starts a super pension.
- If John and Mary retired after preservation age (currently 55) but prior to age 60, each can draw up to a certain amount of the taxable component of their super as a lump sum tax free. The maximum amount is currently $165,000.

To find out how you can boost your retirement savings, please talk to your financial adviser today.

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