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Be Prepared – Split Your Super!

From July 2012 the government plans to' pull the rug' from under superannuation savers aged over 50, by reducing the amount they can contribute as concessional contributions from $50,000 to $25,000 per annum.

For people approaching age 50 who had planned to make concessional (tax deductible) contributions to super above the proposed $25,000 per annum limit, not only will this opportunity no longer be legally available, but the financial penalties will be harsh.

A possible strategy to minimise the impact of this change, however, is that of 'super-splitting' with a life-partner, according to Adelaide based financial strategist Theo Marinis.

"For couples with superannuation benefits close to $500,000* in one account, super splitting has the potential to extend the capacity to contribute up to $50,000 per annum in Concessional contributions to super (and reduce tax payable), particularly when there is a difference in super balances and / or age."

"In my experience, it usually the homemaker in any relationship who has the lower super balance, and this is traditionally the result of time taken out of the paid workforce to nurture children. Having the lower account balance, however, provides an opportunity for super splitting from the partner with the higher super balance, when both partners are in paid work."

"Few couples realise that there are potentially, far greater benefits in having two super accounts of $490,000 than one account of $980,000."

"Despite the new rules not yet having come into effect*, I currently recommend that my eligible clients adopt a similar contribution splitting strategy to that which I have personally adopted. This involves splitting 100% of my annual super guarantee and salary sacrifice contributions with my partner – effectively ensuring that her fund receives a net 85% (after contributions tax of 15%)."

"Watching the legislative horizon closely, I am topping up my partner's fund and keeping my own below the crucial half million mark. Should the rules change again, I will adapt our position to the new environment – as traditionally governments "grandfather" any changes in super legislation (which means an old rule continues to apply to some existing situations, while a new rule will apply in all future situations.)"

"Importantly if one partner is closer to retirement than the other, and depending on personal circumstances, there may be advantages in either boosting or reducing how much super is contributed to each fund."

"Speak to your financial adviser to see exactly what opportunities may exist for you," Theo said.

**The proposed Transitional rule to allow those over 50 to continue to contribute up to $50,000 in Concessional Contributions to super, post 1 July 2012 (provided their super balance is less than $500,000) is not yet legislated but expected to come into effect from 1 July 2012).*

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