Dear Friends

Some Good News

Theo has asked me to provide you with an update on the Government's recent changes to superannuation, effective 1 July 2021 (as referenced in the May edition of eGrow.)

The bottom line is that the new limits allow people who can afford to do so, to put more into super. In a best-case scenario, someone on a marginal tax rate of 39% can save almost a quarter of their tax by redirecting it to long-term savings.

Less tax and more in savings = good news to me!

A summary of the main contribution limits and indexation changes from 1 July 2021 (complete with acronyms) is as follows:

- The pre-tax Concessional Contribution (CC) limit **increases from $25,000 to $27,500 pa**. This amount applies to combined Superannuation Guarantee (SG), salary sacrifice and Personal Concessional Contributions (PCC).

- The rate of Super Guarantee contributions **increases from 9.5% to 10.0%** of gross salary **for everyone!**

- The 'Carry-forward' concessional contribution rule has changed. Those with a Total Super Balance (TSB) of less than $500,000 **are now able to carry-forward their unused CC allowance from 1 July 2018** (4 years: FY2019-FY2022) to increase their annual CC limit. This provides the ability to make higher PCC/salary sacrifice contributions, which can be particularly beneficial if seeking to offset a capital gains tax event.

- The after-tax Non-concessional Contribution (NCC) limit **increases from $100,000 pa to $110,000 pa.**

- Bring-forward rules (which allow up to 3 years of NCCs to be made in 1 year) **increase from $300,000 to $330,000.**

- The General Transfer Balance Cap (TBC) **increases from $1.6m to $1.7m.** (However, complex calculations now apply as only the unused amount of TBC is being indexed). To simplify understanding, I have used the word 'increases' but in fact under the rules it is 'indexed', which produces a slightly different result. Individuals who have already used their entire TBC allowance are not entitled to indexing. Individuals who have only used part of their TBC allowance will be entitled to indexing on the amount of their unused TBC allowance - eg, someone with an initial ABP balance of $800K will be able to add $850K ($800K + $50K) to a new/larger ABP after 1 July 2021.Yes, it's complicated!

- The Total Super Balance (TSB) **of $1.6m increases to $1.7m.** This is the amount of superannuation an individual can hold in combined super/pension assets to allow them to make NCCs.

- The Spouse Contribution offset eligibility **increases from $1.6m to $1.7m.**

- Government Co-contribution offset eligibility **increases from $1.6m to $1.7m.**

- The Defined Benefit Pension income cap (DBP) **increases from $100,000 pa to $106,250.**

And yet potentially more future good news came from the 2021 budget announcements (NOTE these are PROPOSED at this stage. We will need to wait for these to be legislated!) ….

- Changes to the 'Downsizer Contribution' rules bring the qualification age down from 65 to age 60.

- NCCs can now be made each year to age 75, WITHOUT the need to satisfy the Work Test.

- The three-year NCC Bring Forward age limit passed through Parliament in Mid-June 2020 and is now law (this change was from last year's budget). **It means CCs and NCCs can NOW be made to age 67, already with NO Work Test.**

  This change also means that it is now possible to make a three year Bring Forward NCC to the year you are 67 (even if you have not worked for years) provided you do so BEFORE your 67th birthday. (This age- based limit was previously age 65).

Overall, the changes are very good news for those able to invest more into super; they recognise the benefits for both the individual and the nation in having a robust superannuation system.

Sincerely,

Jason Zanini

Jason Zanini B.Ec., CFP®
Financial Adviser | Authorised Representative

Theo's comments

Reading the changes summarised by Jason reinforces how complex the superannuation system has become. A significant part of the value Marinis Financial Group (Marinis) adds is to keep up to date with complex and ever-changing regulations, and to advise you, our clients, how to make the most benefit for yourselves and your families, within the current rules.

For the ordinary person, it is almost impossible to 'know what you don't know' with the risk of missing out on some of the generous opportunities available to build super up to the maximum level. (Or as I always say, to put into super as much as you can, as soon as you can, for as long as you can.)

And one more thing – with thanks to Glynn Flaherty of Payroll Matters

While most people are aware that the $25,000 concessional contribution limit ($27,500 from 1 July 2021) includes employer super contributions, salary sacrificed contributions and potentially a 'post-tax deductible' contribution, there are often timing differences relating to when the contributions are actually made by an employer, and when the super funds will recognise them.

For example:

Gill is paid fortnightly. Her pay dates in June fall on 2, 16 and 30 June. She also salary sacrifices into super to ensure she uses the concessional limit. Payslips show both the employer super contribution and her sacrificed super.

What Gill doesn't realise is her employer pays super contributions monthly – seven days after the end of each month (although by law employers only need to contribute within 28 days of the end of each quarter).

What does this mean for Gill?

The super contributions arising from her wages in June will count towards her concessional limit for the FY 2021-2022, and not for 2020-2021.

What should Gill do?

She should check with her employer when they send the contributions to the fund, or better still, know in what month the contributions will be received. Many employers use a clearing-house that can take up to a fortnight to process contributions. Therefore, even if her employer pays the clearing house prior to the end of June, her super contributions may not be received by the fund and counted towards her concessional limit until July (in the following financial year).

In Gill's case, she should consider the contributions paid up to and including May 2021 only, rather than including contributions which relate to her June 2020 wages.

The second issue is that most external funds have a cut-off date for processing contributions before 30 June (as mentioned in both the May and June editions of eGrow); a cut-off date of around 20 to 24 June is common. This means that even if Gill's personal contributions and/or contributions from her employer are paid prior to 30 June, her super fund may also not allocate them to her account until July in the following financial year.

What should Gill do in this case?

She should establish with her fund the cut-off date for processing contributions and then work out what will count towards the current financial year's limit. Again, it may be the contributions from June 2020 to May 2021 inclusive – and there is still a little bit of time to manage the salary-sacrifice side. A good starting point is to log in to your super fund account and check what amounts been recorded as received in the current financial year.

Gill may also believe that her MyGov report will tell her what has been contributed on her behalf.

Unfortunately, this is not the case. The MyGov account will only state the employer's super liability for the income year; it does report when the contributions were made.

Bear in mind too, that it is also possible to have contribution reporting monitored on your behalf (as many of our clients who use our recommended super platforms will be aware).

Media

If you are interested in reading my recent media commentary, please click here.

As always, if I, Jason, or any of the Marinis team can be of assistance, please do not hesitate to contact us by emailing admin@marinisgroup.com.au or by calling (08) 8130 5130.

A reminder too, that whilst we consistently encourage our clients to grow their superannuation balances, Marinis is remunerated for the services we provide via a flat dollar fee (not a fee which is in any way linked to the size of the amount invested).

Best wishes,

Theo Marinis B.A., B.Ec., CPA., FPA®
Financial Strategist
Authorised Representative

GROW @ Marinis

Financial Strategies (SA) Pty Ltd | **ABN** 54 083 005 930
Trading as **Marinis Financial Group** | Australian Financial Services Licence No: 326403

P 08 8130 5130 | **F** 08 8331 9161 | **E** grow@marinisgroup.com.au
A 49 Beulah Road, Norwood SA 5067 | **W** marinisgroup.com.au

If you do not wish to receive further messages of this nature, send a reply email with the word UNSUBSCRIBE in the subject box.