Dear Friends

<u>Yes, it's that time of year – again</u>

One thing I've recently noticed (perhaps it's COVID-19 or me getting deeper into middle age) but the years seem to be flying by. The very fast approaching 30 June 2021 is, of course, the end of the current financial period.

As a cut-off point for last minute superannuation contributions, this date is misleading. If you are looking at your finances and realise that you can top up your superannuation (a really wise thing to do) the real 'due date' – if you want to ensure that you don't miss the boat – is more like 20 June. Realistically, this is due to the need to allow appropriate time for processing, and there is a very real risk that last minute superannuation contributions may not be accepted beyond this date.

There are two opportunities for your superannuation contributions within a financial year; one is to make sure that you've made tax-deductible Concessional Contributions (CCs) at the maximum level of $25,000 (remember that this amount is inclusive of your employer's Superannuation Guarantee contributions).

The other option is to make a Non-Concessional Contribution (NCC) of up to $100,000 with after tax dollars. If you meet all the necessary criteria, you can also bring forward up to 3 years' NCCs, with the result that you could contribute up to $300,000 to super this financial year.

Bear in mind too, if you are retired and in the fortunate situation of having surplus cash, you can contribute to your family or a friend's superannuation, up to the limits above. The great thing about such a contribution is that it constitutes a long-term gift. For example, if you give an 18-year-old grandchild $20,000 it is likely to be spent on a car. But if you put that $20,000 into your grandchild's super fund you will be effectively giving their retirement savings a massive boost. When they reach your age, they will thank you every day.

If you are a wage earner paying tax at the rate of 39%, you will effectively save NET tax of 24% by making concessional contributions to super (currently up to $25,000). Whilst there is a 15% tax on the way in and 15% tax on the earnings on your super investments, up to 24% in tax is saved – both on the initial contribution and then on the earnings of your growing super balance! Clearly the tax benefits are significant.

Then, you factor in the 'eighth wonder of the world', which, according to Albert Einstein, is compounding interest. $20,000 contributed as CCs to superannuation today, compounding at a conservative 5% per annum will be worth (net of 15% super fund tax on CCs) $30,324 in 10 years, $45,978 in 20 years and $105,699 in 40 years.

If you are considering making a contribution to your superannuation or to the superannuation of another person, please get in touch with us so that we can ensure it is done at the right time, and that it also complies with the rules. As you are no doubt aware, there are penalties for over-contributing.

While we are thinking about financial issues, it might be worth considering your situation more widely. If anything material in your situation has changed, have you let us know?

If you are planning to retire in the next year, for instance, we should be working together to ensure we maximise the outcome for you. Many of us are often unaware of the advantages of getting the timing right, for example – retiring on July 1 rather than June 30 may save you significantly more tax.

Now is also a good time to consider all your insurances. If you think you have too much, or not enough, it is time for a discussion with me or a member of our team.

And one more thing

Turning 60 is a significant milestone in anyone's life, however most are unaware of the opportunities this opens up for accessing your superannuation. The benefit is that your retirement savings will potentially be tax-free. However, this will not happen just because you are aged over 60. This tax-free status applies only for those over age 60 who are eligible (and have elected to) rollover their super to an Account Based Pension (ABP).

ABPs are tax exempt for people aged over 60, in that the fund no longer pays the 15% super fund tax and ALL pensions or lump sums when paid to you are also tax exempt!

If there is a change to your employment, you may be able to work part-time and convert your super to a TAX EXEMPT ABP – making it more tax effective, to the delight of many people.

There is also the opportunity for those who have not ceased working and are over Preservation Age (currently 58) to start a Transition to Retirement (T2R) pension, as I did when I turned 58 in December last year.

You can see the details of my own T2R strategy details in my Jan and Feb 2021 eGrows, here and here!

A T2R strategy has the potential to save thousands of dollars in tax per annum, which many use to bolster their super even further.

And yet another thing……

Of course the 2021 Budget was handed down on 11th May 2021. On balance it saw positive super policy changes ***proposed***. However, most of these (if finally legislated) will only take effect from 1st July 2022!

There is therefore no need to focus on those proposals at this time. We will advise you, when you should or need to know.

The GREAT news is the indexing (NOT associated with last week's Budget) of the various super thresholds **from 1st July, this year!**

A summary of the main changes to apply from 1 July 2021 are listed below:

- Concessional super cap (CC) indexed to $27,500
- Non-concessional super cap (NCC) indexed to $110,000
- Maximum 'Three Year Bring-Forward' rule cap indexed to $330,000
- Transfer Balance cap indexed to $1.7m for new UNRP ABPs (ie, those commenced post 1 July 2021)
- Total Super Balance cap indexed to $1.7m for everyone!

Media

If you are interested in reading my most recent media contributions, feel free to click here.

As always, if I or any of the Marinis team can be of assistance, please feel free to contact us either by email at admin@marinisgroup.com.au or call (08) 8130 5130.

Kind Regards,

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