



## Q&A for 30 June 2017

Here are the top four questions asked about super by members leading up to the end of the financial year.

### 1 CAN I STILL CONTRIBUTE \$540,000 BEFORE 1 JULY 2017? WHAT HAPPENS IF I TRIGGER A BRING-FORWARD ARRANGEMENT BUT DON'T FULLY USE IT BEFORE 1 JULY 2017?

Brett Marsh noted in the February newsletter that as an individual, you can still contribute up to three times the annual non-taxed (non-concessional cap) up to \$540,000 this financial year, as long as, you are under age 65, and have not previously contributed more than your annual non-taxed (non-concessional cap) in the previous two financial years. If you are eligible, you automatically gain access to future-year caps, and this is known as the bring-forward arrangement.

If you do decide to take advantage of the bring-forward arrangement, and make a personal contribution over the annual non-concessional cap of \$180,000 (but under \$540,000) in the 2016-17 financial year, transitional arrangements will apply, and the amount of non-concessional contributions that can be made each financial year going forward will reduce. This is because from 1 July 2017, the non-concessional super contribution amount that can be contributed each financial year has been reduced to \$100,000 per financial year.

This means that the maximum amount of bring-forward arrangement available to you will be reflected in the reduced annual contribution caps. The table below shows how much of the bring-forward arrangement can be used depending on the financial year the non-concessional contribution was made.

The year the bring-forward period started	Maximum non-concessional bring-forward amount available in 2017-18
<b>2015-16</b>	\$460,000 (\$180,000 annual cap x 2 years, + \$100,000 x 1 year)
<b>2016-17</b>	\$380,000 (\$180,000 annual cap x 1 year, + \$100,000 x 2 years)
<b>2017-18</b>	\$300,000 (\$100,000 annual cap x 3 years)



#### CASE STUDY EXAMPLE

- Joan is 53 years of age
- Joan triggers the bring-forward rule by making a contribution on 10 June 2017 of \$200,000.
- Joan's total super balance at 30 June 2017 is \$1.45 million

The non-concessional cap for the financial year ended 30 June 2017 is \$180,000.

From 1 July 17, the non-concessional contributions cap reduces from \$180,000 to \$100,000. Joan is therefore affected by transitional arrangements due to the changing super regulations.

Joan's three year bring-forward cap is reduced to \$380,000 (\$180,000 for 2016-17 and \$100,000 for 2017-18 and \$100,000 for 2018-19).

Joan's remaining bring-forward balance is \$180,000.

At 30 June 2017, Joan's total super balance is \$1.45 million.

## 2 AFTER 1 JULY 2017, CAN I CONTINUE TO SALARY SACRIFICE, OR SHOULD I CEASE THIS ARRANGEMENT AND JUST CONTRIBUTE PERSONALLY DURING THE YEAR AND CLAIM MY PERSONAL (AFTER-TAX) SUPER CONTRIBUTIONS AS A TAX DEDUCTION?

From 1 July 2017, you can contribute to super, either by contributing by organising a salary sacrifice arrangement with your employer, as well as a making a personal super contribution, as long as you do not exceed your concessional tax cap each financial year. **So what does this mean?**

- You can continue to salary sacrifice, however you cannot claim this as a personal tax deduction, as salary sacrifice is a component of your total salary package and is not counted as assessable income for tax purposes, nor is it subject to (PAYG) withholding tax.
- You can contribute personally to super from after-tax income, and claim a personal super contribution deduction on your tax return. OR
- You can do a combination of both to your annual concessional tax cap of \$25,000 each financial year.

## 3 HOW IS MY TOTAL SUPERANNUATION BALANCE CALCULATED?

Your total superannuation balance, says Brett Marsh, includes the balance of your superannuation accumulation accounts, pension accounts, the value of any defined benefit pensions and any benefits currently between funds that you are in the process of moving to a different fund. However, it excludes any contributions made with the proceeds of a personal injury compensation payment.

Your total superannuation balance is relevant when working out your eligibility for the:

- unused concessional contributions cap carry-forward
- non-concessional contributions cap and the two or three year bring-forward period
- government co-contribution
- tax offset for spouse contributions.

## 4 HOW LONG DO I HAVE TO REDUCE MY TRANSFER BALANCE CAP UNDER THE \$1.6 MILLION CAP?

Generally, from 1 July 2017, the balance you hold in the retirement phase (pension) will need to be within the \$1.6 million cap. However, there are transitional arrangements in place where an individual has an accumulated pension balance between \$1.6 and \$1.7 million. In this case, you will have six months to 31 December 2017 to remove the excess capital without incurring excess taxation.

The transfer balance cap of \$1.6 million commences on 1 July 2017. It introduces a new limit on the amount of your accumulated super benefits that you can transfer or hold in the retirement income phase to support an income stream over the course of the super member's lifetime.

Amounts included in the transfer balance cap include the combined value of all super pension accounts held in

retirement phase, as well as any super pension received from a deceased spouse's super account, and any pension income received as part of a family law court settlement.

While there have been transitional arrangements put in place where the amount in retirement phase is between \$1.6 and \$1.7 million, to reduce uncertainty, super funds will be required to transfer amounts in excess as at 30 June (over \$1.7 million) and as at 31 December (over \$1.6 million) and excess taxation of 15% will be required to be paid on national earnings on the excess amount.

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