INSIDE

MAY 2022

FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

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Smart Super Strategies for EOFY

2021/22

With June 30 fast approaching, it's time to start thinking about your super for another year. We've put together five smart strategies that may benefit you now, and help boost your super.

Strategy	This may be right if you……	How to use this strategy	The benefits may include
1. Add to your super and get a tax deduction	Are employed, self-employed or earn taxable income from other sources (such as investments)	Make an after-tax super contribution and claim a tax deduction	• Pay less tax on your income • Increase your retirement savings
2. Get more from your salary or bonus	Are an employee	Arrange for your employer to contribute some of your pre-tax or a bonus into super, as part of a salary sacrifice agreement	• Pay less tax on your salary or bonus • Increase your retirement savings
3. Convert your savings into super savings	Have money outside your super that you'd like to invest for retirement	Make an after-tax super contribution	• Pay less tax on investment earnings • Increase your retirement savings
4. Get a super top-up from the Government	Earn [1] less than $56,113 pa from your job or business	Make an after-tax super contribution	• Receive a Government co-contribution of up to $500 • Increase your retirement savings
5. Boost your spouse's super and reduce your tax	Have a spouse who earns [1] less than $40,000pa	Make an after-tax contribution into your spouses super-account	• Receive a tax offset of up to $540 • Increase our spouse's retirement savings

To use any of these strategies you'll need to meet certain conditions. Your financial adviser can assess your eligibility and help you decide which strategies are appropriate for you.

The tax advantage of saving in super

Saving more in super can come with tax and other benefits this financial year – but that's just the start.

Once money is invested in super, earnings are taxed at a maximum rate of 15% - instead of your marginal tax rate, which may be up to 47%[2].

This low tax rate can help you build up savings for your retirement.

When you do retire, you can also transfer your super into a 'retirement phase' pension[3]. Here, you won't pay tax on investment earnings, and any income payments you receive from age 60 onwards are tax-free.

Tips and traps –

- Before you add to your super, keep in mind you won't be able to access the money until you meet certain conditions.
- There are caps on how much you can contribute to super each year. It's important to take the caps into account, as penalties may apply if you exceed them.
- Make sure any contributions you want to make this financial year are received by your fund before June 30. With electronic transfers (including BPAY), the contribution takes effect the day your super fund receives the money, not the day you make the transfer.
- Other eligibility criteria and conditions apply in relation to these strategies. Further information can be found on the Australian Taxation Office website **ato.gov.au.**

Getting advice – You'll need to meet certain conditions before you can benefit from any of these strategies.

Your financial adviser can help assess your eligibility for using these strategies, explain the different options available to you in detail and help you decide which strategies are appropriate for you.

[1] Includes assessable income, reportable fringe benefits and reportable employer super contributions. Other eligibility conditions apply.

[2] Includes Medicare levy.

[3] There is a limit on the total amount that can be transferred to retirement phase in a person's lifetime. This limit is $1.7 million in FY 2021/22 (subject to indexation).

1 - Add to your super – and claim a tax deduction

If you contribute some of your after-tax income or savings into super, you may be eligible to claim a tax deduction. This means you'll reduce your taxable income for this financial year – and potentially pay less tax. At the same time, you'll be boosting your super balance.

How it works

The contribution is generally taxed at up to 15% in the fund (or up to 30% if your income from certain sources is $250,000 or more). Depending on your circumstances, this is potentially a lower rate than your marginal tax rate, which could be up to 47% (including the Medicare Levy) – which could save you up to 32%.

Once you've made the contribution to your super, you need to send a valid 'Notice of Intent' to your super fund, and receive an acknowledgment from them, before you complete your tax return, start a pension, withdraw or rollover the money.

Keep in mind that personal deductible contributions count towards your concessional contribution cap, which is $27,500 for the 2021/22 financial year. However, you may be able to contribute more than that without penalty if you didn't use your entire concessional cap in the financial years since 1 July 2018 and are eligible to make 'catch-up' contributions.

Concessional contributions also include all employer contributions, including Superannuation Guarantee and salary sacrifice.

2. Get more from your salary or a bonus

If you're an employee, you may be able to arrange for your employer to direct some of your pre-tax salary or a bonus into your super as a 'salary sacrifice' contribution.

Again, you'll potentially pay less tax on this money than if you received it as take-home pay – generally 15% for those earning under $250,000 pa, compared with up to 47% (including Medicare Levy).

How it works

Ask your employer if they offer salary sacrifice. If they do, it can be a great way to help grow your super tax-effectively as the contributions are made from your pre-tax pay – before you get a chance to spend it on other things.

You can only salary sacrifice amounts that you're not yet entitled to receive. This includes both your regular salary, and any entitlement to a bonus.

Remember salary sacrifice contributions count towards your concessional contribution caps, along with any superannuation guarantee contributions from your employer and personal deductible contributions.

3. Convert your savings into super savings

Another way to invest more in your super is with some of your after-tax income or savings, by making a personal non-concessional contribution.

Although these contributions don't reduce your taxable income for the year, you can still benefit from the low tax rate of up to 15% that's paid in super on investment earnings. This tax rate may be lower than what you'd pay if you held money in other investments outside super.

How it works

Before you consider this strategy, make sure you'll stay under your non-concessional contribution (NCC) cap, which in 2021/22 is $110,000 – or up to $330,000 if you meet certain conditions. That's because after-tax contributions count as non-concessional contributions – and penalties apply if you exceed the cap.

Also, to use this strategy in 2021/22, your total super balance (TSB) must have been under $1.7 million on 30 June 2021.

If you're 67-74, you'll also need to meet the work test (or be eligible to apply the the 'work test exemption) to make NCCs this financial year. The work test will be removed for NCCs from 1 July.

Remember, once you've put any money into your super fund, you won't be able to access it until you reach your preservation age or meet other conditions. For more information, visit the ATO website at **https://www.ato.gov.au/**

4. Get super top-up from the Government

If you earn less than $56,113 in the 2021/22 financial year, and at least 10% is from your job or a business, you may want to consider making an after-tax super contribution. If you do, the Government may make a 'co-contribution' of up to $500 into your super account.

How it works

The maximum co-contribution is available if you contribute $1,000 and earn $41,112 pa or less. You may receive a lower amount if you contribute less than $1,000 and/or earn between $41,112 and $56,112 pa.

Be aware that earnings include assessable income, reportable fringe benefits and reportable employer super contributions. Other conditions also apply – your financial adviser can run you through them.

5. Boost your spouse's super and reduce your tax

If your spouse is not working or earns a low income, you may want to consider making an after-tax contribution into their super account. This strategy could potentially benefit you both: your spouse's super account gets a boost and you may qualify for a tax offset of up to $540.

How it works

You may be able to get the full offset if you contribute $3,000 and your spouse earns $37,000 or less pa (including their assessable income, reportable fringe benefits and reportable employer super contributions).

A lower tax offset may be available if you contribute less than $3,000, or your spouse earns between $37,000 and $40,000 pa. Don't hesitate to contact your financial adviser.

Living costs for retirees rise at fastest pace in 10 years

We look at how much money you might need each year and ways you can still budget your social life.

Australian retirees generally need a certain budget each year to live a modest or comfortable lifestyle, and industry figures recently revealed the highest annual increase in those budgets since 2010.

The Association of Superannuation Funds of Australia (ASFA) put that increase, in part, down to a range of unavoidable price hikes on things such as petrol and council rates.

If you're in or approaching retirement, that mightn't be welcome news, particularly if you're prioritising bills, trying to reduce debt, helping the kids out (if you have any) and enjoying an active social life.

On the flip side, knowing how much you might need and what you may like to do could go a long way.

So, how much money do you need?

According to September 2021 ASFA figures, individuals, and couples, around age 65 who are looking to retire today, would need the below annual budgets to fund certain lifestyles.

Figures are based on the assumption people own their home outright and are relatively healthy. You can see how these budgets compare to the current maximum Age Pension rates being paid by the government.

	Comfortable lifestyle	Modest lifestyle	Full Age Pension Rate
Single (Annual budget)	$45,238	$28,775	$25,155
Couple (Annual budget)	$63,799	$41,446	$37,923

How much are you likely to spend on recreation anyway?

According to figures, singles and couples around age 65, living a comfortable lifestyle in retirement, would spend about $189 and $285 of their weekly budget respectively on leisure and recreation, whereas singles and couples living a modest lifestyle would spend about $97 and $153 respectively.

This takes into account recreational activities like:

- Movies, plays, sports and day trips
- Lunches and dinners out
- Club memberships
- Takeaway food and alcohol
- Streaming services like Netflix and Stan
- Domestic vacations (and for those living comfortable lifestyles, international ones too).

What activities are on your to-do list?

Considering the above figures, it may be worth thinking about **what you enjoy doing** or what you're likely to want to do more of with extra time on your hands.

These things may include:

- Sport – golf, tennis, cycling, yoga, Pilates
- Hobbies – fishing, sailing, photography, drawing, woodwork
- Club associations – Rotary, Leagues, Surf Life Saving
- Tournaments – trivia, bridge, chess
- Eating out – restaurants, picnics, food fairs
- Travel – interstate breaks, overseas holidays, road trips, caravanning
- Entertainment – cinemas, concerts, events, stage shows
- Volunteering – hospitals, soup kitchens, animal shelters.

Making your money go further for the fun stuff - The good news is, not all good things will come with a price tag, so it will be possible to do a variety of things that don't necessarily cost money.

In the meantime, here are a few simple things that you might consider to keep costs down in retirement:

- Make use of your Seniors Card for transport concessions and discounts on other goods and services
- If a restaurant isn't in your budget one week, pack a picnic and head out
- If you enjoy dining out, research cheaper deals on sites like Groupon and Scoopon
- Have your friends over for card night, simple dinner parties where people BYO
- If you want to get away, look out for cheap flights or consider road trip.
- Find cheap accommodation on Airbnb, Hotels Combined, lastminiute.com or consider listing your own place to earn some money while you're away.

Source: AMP Insights

Should you wish to discuss any aspect of the information contained in this document, please contact your Financial Planner

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