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TALKING POINT!

WELCOME

We hope that you find **TALKING POINT!** informative and welcome your feedback. Please feel free to e-mail any comments, questions or suggestions to us on: info@northbridgeadmin.com.au. In this special edition of **TALKING POINT!** we specifically cover the new “Contribution Splitting” legislation and the possible opportunities available under this change.

SUPERANNUATION CONTRIBUTION SPLITTING

The Government has recently passed legislation enabling the splitting of superannuation contributions made on or after 1 January 2006.

Splitting is limited to contributions made in the previous financial year and does not extend to accrued superannuation benefits. The legislation applies to married and de facto relationships but it does not apply to same sex relationships.

Superannuation funds will not be forced to offer splitting but given a “choice” environment we would imagine that the majority of funds will offer this facility. Splitting can be done to a spouse account within the same fund (if an account is established for the spouse), or to any other complying super fund.

What are the potential opportunities from Contribution Splitting?

Contribution splitting may provide taxation advantages to couples on retirement, particularly where a spouse would otherwise have a relatively low level of superannuation. The potential benefits are:

- Enables access to two tax free thresholds (\$129,751 for 2005/06, indexed annually) when withdrawing superannuation as a lump sum at retirement;
- Enables commencement of more tax-effective retirement income streams i.e. income splitting in retirement;
- Enables access to two Reasonable Benefit Limits (“RBL’s”) at retirement- members with superannuation benefits which will exceed their RBL can split future employer/salary sacrifice/personal deductible contributions and thereby utilise the separate RBL of the spouse;
- Splitting of contributions, particularly now that the Superannuation Surcharge has been abolished from 1 July 2005, will encourage a wider use of salary sacrificing as a tax effective retirement income planning strategy. Note that the age based annual maximum deductible limits still apply to tax deductible superannuation contributions.

Which Contributions can be Split?

- Contributions made after 1 January 2006;
- Up to 100% of undeducted (i.e. after tax) contributions;
- Up to 85% of taxable contributions (i.e. employer contributions including Super Guarantee and salary sacrifice, and personal tax deductible contributions).



Which Contributions cannot be Split?

- Rollovers;
- Eligible Termination Payments (ETP's); and
- Defined Benefit fund components.

What are the restrictions on Splitting?

The receiving spouse must sign a declaration that they are:

- aged less than their preservation age (55 if born before 1 July 1960, phasing up to age 60 if born between 1 July 1960 and 30 June 1964); or
- aged between their preservation age and 65 and have **not** retired from the workforce.

Note that superannuation contributions which are split will be subject to preservation in accordance with the normal rules based on the age/work status of the receiving spouse.

When and how can a super Splitting application be lodged?

- The legislation specifies that a super splitting application must be lodged with the superannuation trustee within the year following the financial year in which the contributions were made. However, each superannuation fund may, for administrative reasons, specify a deadline for applications earlier than this;
- An exception to the above is where a person's super benefit is rolled-over or transferred out of the superannuation fund - in this case the application to split super contributions must be made within the same financial year;
- It is expected that most super funds will issue a 'branded' super splitting application form, together with submission instructions. The ATO has alternatively issued a standard "Superannuation contributions splitting application" form and instructions; and
- The employer is not involved in the splitting process - the administration of super splitting applications is a matter for the applicant and the superannuation trustee.

FOR FURTHER INFORMATION

As with many superannuation matters we believe members need to fully understand the implications of any actions they are considering taking in regard to contribution splitting. We recommend that you take financial advice before taking any action on this or many other superannuation matters. For further information please contact NFS on (02) 9929 2700, e-mail us at info@northbridgeadmin.com.au or visit our website www.northbridgeadmin.com.au.

If you are interested in finding out more about some of the "possible opportunities" provided by the introduction of the superannuation splitting legislation financial planning services can be provided by Northbridge Financial Solutions. Northbridge Financial Solutions (NFS), authorised under the licence of Community & Corporate Financial Services Pty Ltd (AFS Licence No 225085, ABN 44079121136), is a specialist provider of financial advisory services to corporate superannuation funds and their members. NFS is not aligned with any financial institution.

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