



October 2007 Edition

TALKING POINT!

As you are doubt aware from all the recent publicity, the 1 July 2007 changes to superannuation are significant and have created much interest in superannuation. In this edition of **TALKING POINT!** we cover:

- Why Super?
- Strategies to Boost your Super;
- Transition to Retirement; and,
- Tax File Numbers.

WHY SUPER? – IT’S ALL ABOUT TAX!!!!!!

Super is a tax structure. Whilst it has always had certain tax advantages compared to other investment structures, the legislative changes applicable from 1 July 2007 have made it even more attractive from a tax perspective. Super has the following tax features and concessions:

- Investment earnings are taxed at concessional rates - a maximum tax rate of 15% is paid by the super fund on investment earnings;
- Tax can generally be saved by salary sacrificing (employees) or making tax deductible contributions (self-employed or unsupported persons) i.e. concessional contributions;
- Many people are eligible for the Government Co-contribution into super by making personal (non-concessional) super contributions. NB: This has been extended to the self-employed from 1 July 2007;
- Allocated Pensions or Lump Sum withdrawals from super are tax free after age 60, and subject to tax concessions if accessed after your preservation age (age 55 to 60).

So, for many people there is now more incentive to save tax by making additional contributions to build up their superannuation for retirement. But, remember the new contribution limits that apply from 1 July 2007, are as follows:

- \$50,000p.a. limit for concessional contributions (employer, salary sacrifice, self-employed or unsupported person tax deductible contributions). A \$100,000 p.a. applies until 30 June 2012 for persons aged over 50;
- \$150,000p.a. limit for non-concessional (personal after tax) contributions, or \$450,000 over a 3 year period.

STRATEGIES TO BOOST SUPER AND SAVE TAX

Salary sacrificing (employees) or making tax deductible contributions (self-employed or unsupported persons) will generally save tax where taxable income is above \$30,000p.a. and subject to marginal tax of 30% up to 45%. Below the \$30,000 level the super contributions tax rate and the marginal tax are the same at 15%. When considering the tax savings you always have to take account of the restrictions as to when you can access your super.

The tax savings from salary sacrifice or tax deductible super contributions are particularly attractive for those aged over 50 years, where retirement is at least on the horizon, and strategies such as running down non-super savings or investments to finance additional super contributions could be considered.

For persons over their preservation age (aged 55 if date of birth is prior to 1 July 1960), another



strategy to save tax and finance additional super contributions could be to commence a ***Transition to Retirement Pension (TRP)***.

A Transition to Retirement Pension (TRP):

- Can be commenced using superannuation once preservation age is reached, even if the person is still employed;
- Allows a maximum 10% p.a. allocated pension to be withdrawn;
- Does not allow lump sum withdrawals until the person has permanently retired;
- Is tax free if the person is aged over 60, and taxed concessionaly if aged between 55 and 60.

Anyone over age 55 should obtain financial advice to see whether a TRP would be tax effective for their situation!

TAX FILE NUMBERS

Effective from 1 July 2007, legislation has been introduced to enforce the new contribution limits. This has resulted in the ATO requiring all super funds to report TFNs. Where an individuals TFN has not been quoted to a superannuation fund by the end of the financial year in which assessable contributions have been made, the following will occur:

- Concessional contributions (company or pre-tax contributions) will be taxed at a penalty rate of 31.5%, in addition to the normal contributions tax rate of 15%; and,
- Non-concessional contributions (member or after-tax contributions) will be rejected.

There are a number of ways that you check whether your super fund has your TFN. These include:

- Look at your last member statement;
- Look at your personal details on the super fund website; or
- Contact the call centre for the superannuation fund and confirm whether they have a record of your TFN or not.

We would encourage you to ensure that your superannuation fund is advised of your Tax File Number!!!!!!

FOR FURTHER INFORMATION

We hope that you find **TALKING POINT!** informative and welcome your feedback. Please feel free to e-mail any comments or questions to us on info@northbridgeadmin.com.au. As with many superannuation matters we believe members need to fully understand the implications of any actions they are considering. We recommend that you take financial advice before taking any action on this or many other superannuation matters.

If you are interested in finding out more about the issues raised in this newsletter, 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. Contact NFS on (02) 9929 2700, e-mail us at info@northbridgeadmin.com.au or visit our website www.northbridgeadmin.com.au.

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