

MAKE TAX TIME LESS TAXING

Don't wait until the end of the financial year to take advantage of strategies to build your wealth. Why not get ahead of yourself by talking with a financial planner today about tax-effective ways to save for retirement.

The earlier you act, the better chance you have of achieving your financial goals.

1. Government co-contributions

What's the strategy?

You make a personal contribution to super and the government matches your contribution on a one-for-one basis, up to \$1,000.

Who can use it?

To be eligible for the co-contribution you must make a personal contribution into a complying super fund by 30 June 2011. Your total income (comprising assessable income, reportable fringe benefits and amounts salary sacrificed to super) must be less than \$61,920 and 10% or more of your total income must be from eligible employment, running a business or a combination of both. You must be under age 71 at the end of this financial year and lodge a tax return.

After this period the annual limit could halve to \$25,000. With your ability to contribute without penalty potentially reduced, you may be running out of time to make the most of the current tax concessions.

2. Non-concessional contributions

What's the strategy?

There is a cap on non-concessional contributions of \$150,000 per year. If you were under the age of 65 on 1 July 2010, you can contribute up to \$450,000 in the current year using the 'bring forward' provisions, although this limits how much you can contribute in the next two years. Any contribution you make over your relevant cap is taxed at 46.5%.

If you turned 65 on or after 1 July 2011, you can still take advantage of these provisions this financial year, but if you make the contribution after your 65th birthday, you must satisfy the work test before making the contribution. If this applies to you, this will be the last chance you will have to make a large, non-concessional contribution to boost your retirement savings.

If you are in this position, you could consider short-term borrowing to fund a contribution if you're waiting for an asset to sell or to receive proceeds.

Who can use it?

You can use this strategy if you were 64 or under on 1 July 2010 or you turn 65 in the 2010-11 financial year and meet the work criteria.

Should you invoke the bring forward provisions now?

If you will be under 65 on 1 July 2011, you should consider if it is worth invoking the bring forward provisions now, or to wait until next financial year to trigger them.

3. Concessional contributions

There are limits on the level of concessional contributions that can be made each year until 30/06/2012. The current limit is \$25,000 unless you are 50 or older, in which case your limit is \$50,000. Amounts contributed above these limits will be taxed at an additional 31.5% and will then count towards your non-concessional contribution limits.

Salary sacrificing

What's the strategy?

Salary sacrificing involves diverting pre-tax dollars from your employment salary into a range of benefits.

One of the most common forms of salary sacrificing is making pre-tax contributions into your super account.

The benefits of this strategy are two-fold. Firstly, you'll be bumping up your super contributions. Secondly, you can potentially reduce your tax liability. Instead of paying tax at your marginal rate, the amount you salary sacrifice becomes a taxable contribution received by the fund. The contribution (plus any income earned on the investment) is generally taxed at a maximum rate of 15%. And, once you turn 60, payments from your super fund are tax-free.

Who can use it?

Salary sacrificing can be used by most employees. You will need to check that your employer allows you to salary sacrifice. In addition to this, you must have an effective salary sacrifice agreement in place.

Personal deductible contributions

What's the strategy?

By making personal deductible contributions to super, you can reduce your taxable income and therefore decrease your personal tax liability. If you have sold an asset during the financial year and realised a significant capital gain, you may also be able to offset any personal income tax that would have been payable on the capital gain.

Who can use it?

If you are self-employed, substantially self-employed, or under 65 and recently retired, you may be eligible to make a personal deductible super contribution. You should confirm your eligibility to make a personal deductible contribution with your financial adviser before proceeding.

4. Spouse super contributions

What's the strategy?

If your spouse's assessable income (including reportable fringe benefits and reportable employer super contributions) is less than \$13,800 and you make a contribution to your spouse's super fund, you may be entitled to receive a tax offset. As this benefit is a tax offset, by implementing this strategy you can make a direct saving against your income tax liability.

Who can use it?

You may benefit from this strategy if you have a spouse on a low income and want to boost your partner's super savings whilst reducing your own tax liability.

5. In specie transfer to super

What's the strategy?

If you hold allowable assets in your own name, you may consider contributing these assets into your super account. Under superannuation law there are some personal assets that a member can contribute to their super account. These include listed securities, interests in a widely held trust and business real property. Where you hold an asset personally, the income is taxed at your marginal rate of tax. Benefits held within super are concessional tax at the super fund tax rate (a maximum of 15%).

Transferring an asset from your personal name into the name of your super fund will trigger a CGT event.

If you are considering this strategy you need to be mindful of the super contribution caps. The asset transfer will be treated as a contribution and measured against the relevant caps. If the value of your contribution exceeds the contribution cap, you will be charged penalty tax on the excess amount.

Where the asset being transferred is business real property, there is potential to access the small business provisions.

Who can use it?

You may benefit from this strategy if you have allowable assets, are eligible to make a contribution to super, have not exceeded the contribution cap and you wish to boost your accumulated super benefits.

6. Transition to retirement

What's the strategy?

If you are over 55 and still working, you could consider a transition to retirement strategy. This strategy may have a number of benefits. There are tax incentives associated with moving super benefits from accumulation phase to the tax-free pension phase plus there is the ability to combine a salary sacrifice arrangement with a transition to retirement income stream.

In addition, you have the flexibility to reduce the hours you work and supplement your income by drawing a pension.

Who can use them?

You may benefit from these strategies if you are over 55 and still working.

7. Gearing in super

What's the strategy?

You may consider borrowing within a Self Managed Super Fund (SMSF) to invest. There are restrictions that apply to this strategy that must be adhered to.

Who can use it?

You must be comfortable with the concepts and risks associated with gearing. You may benefit from this strategy if you would like to boost your super but are restricted by the contribution caps. But you must also be confident that your SMSF can pay back the money it has borrowed. Given the risks involved with gearing and the rules and regulations that apply for gearing in super, we recommend that you seek advice from a financial adviser before considering any gearing strategy.

8. Considering the Capital Gains Tax (CGT) discount

What's the strategy?

A capital gain is essentially any profit made on an asset when that asset is sold. Capital gains form part of taxable income and are therefore subject to tax, hence the term 'Capital Gains Tax'. However, there is a discount which can be applied to this tax. For individuals and trusts, this discount is 50%. For complying superannuation funds, this discount is 33.3%. Companies are not entitled to the discount at all.

Who can use it?

In order for individuals to be eligible for the CGT discount, you need only to have held the asset for more than 12 months before sale. By taking advantage of the discount, you could potentially save thousands of dollars, particularly if the asset you sell has appreciated significantly in value.

Example: If you bought an investment property (in your personal name) in February 1999 for \$1,000,000 and sold it in April 2011 for \$3,000,000, your capital gain would be \$2,000,000. Because you owned the investment property for more than 12 months, you would be entitled to the 50% CGT discount. That means you would only pay CGT on \$1,000,000 rather than the full \$2,000,000.

9. Bringing forward any relevant tax deductions

What's the strategy?

You could consider bringing forward any relevant tax deductions into the current financial year. What this does is effectively lower your taxable income and therefore the amount of tax that you would otherwise pay.

Who can use it?

For individuals, self-employed or small business owners, this might mean pre-paying the interest on your investment property loan, margin loan or repairs on a rental property. Other examples may include, prepaying income-protection insurance premiums ahead of 30 June.

Find out more from your financial adviser

Remember your financial adviser is here to help. Becoming more effective and efficient around your tax could help to reduce the amount you pay. So contact them directly to discuss all your financial planning needs.

IMPORTANT INFORMATION

Information current as at 1 January 2011. The information in this publication does not take into account your personal objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it. Past performance is not a reliable indicator of future performance. This flyer provides an overview or summary only and it should not be considered a comprehensive statement on any matter or relied upon as such. This information was prepared by Securitor Financial Group Ltd, ABN 48 009 189 495 AFSL 240687 (Securitor). Securitor financial planners are authorised representatives of Securitor.