

UNDERSTANDING NON-CONCESSIONAL CONTRIBUTIONS

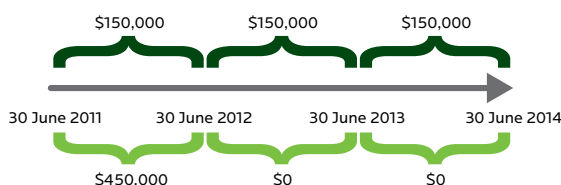
The strategy in a nutshell

Super is one of the most tax-effective means to save for your retirement. If you're fast approaching age 65 and you aim to retire comfortably, you should take action soon to boost your retirement nest egg.

The strategy

Non-concessional contributions are contributions you make to your super fund after paying tax on the money. There's a limit to these contributions, currently \$150,000 per year. Contributions exceeding the cap are taxed at 46.5% you are personally liable to pay this tax, and the amount must be taken from your super fund.

If you're under 65, you can take advantage of a rule that allows you to make up to three years' (\$450,000) worth of contributions as a single lump-sum without penalty. If you contribute \$450,000 before 30 June 2012, you won't be able to contribute for the next two financial years.



So what's the advantage?

There are two very good reasons why you should consider contributing a lump-sum before it's too late.

1. When you turn 65 you must satisfy the work test¹ if you want to carry on contributing to super. If you're not sure you're going to be working once you turn 65, you may miss out on the chance to move more money into super. Even if you are working, the maximum contribution you can make will be \$150,000² in any one year.
2. If (like most Australians) you're a member of a taxed super fund, your super benefits will be paid to you tax-free when you reach age 60. So it makes good sense to transfer as much as you can to your super fund while you are still able to.

If you will not be working once you turn 65, by planning now you can make the most of the non-concessional contribution limits:

- If you turn 63 before 1 July 2012 you could make a \$150,000 contribution this financial year, another \$150,000 next financial year and a further \$450,000 the following financial year provided you meet the work test at the time of making the contribution. This allows you to contribute an extra \$300,000 as you will have brought forward two years' worth of contributions, making a total \$750,000 in non-concessional contributions.
- If you turn 64 before 1 July 2012 you could make a \$150,000 contribution this financial year and a \$450,000 non-concessional contribution next financial year provided you meet the work test at the time of making the contribution. This allows you to contribute an extra \$300,000.
- A couple can boost their super by a whopping \$900,000.

Transfer your non-super assets³

If you currently have assets outside super, such as shares, you may be able to transfer them into your super fund without selling them. You could also consider selling other assets (such as an investment property) and transferring the proceeds.

If you're a member of a self-managed super fund, you can transfer business real property into your fund under current superannuation law.

For the purposes of determining eligibility under these income thresholds, total income comprises assessable income (ie before deductions) plus the value of reportable fringe benefits and reportable employer super contributions (which will appear on the PAYG Summary Statement issued by your employer).

1. To pass the work test you need to have worked 40 hours within a consecutive 30 day period during the financial year.

2. Subject to meeting the work test, you still have the ability to contribute \$450,000 after turning 65, provided you were under 65 at some point during the financial year.

3. Capital Gains Tax and Stamp Duty costs may apply to some transactions.

Case Study: Sally

Sally is 64 and will retire from work 10 June 2012. Sally's aunt recently died leaving Sally an inheritance of \$400,000. As Sally hasn't made any non-concessional contributions this year, she can contribute the full \$400,000 to her super fund. As she will have retired by the start of the 2012-13 financial year, she won't be able to contribute any more money to super as she won't satisfy work test requirements.

What this could mean for your retirement nest egg

The amount you contribute to your super fund is put straight to work as part of your investment strategy. The more you invest now, the more your potential for further growth.

And remember, your super benefits will be paid to you tax-free after you turn 60.

Don't delay — act now

Talk to your financial adviser today about how you can boost your retirement nest egg by taking full advantage of your non-concessional super contributions.

IMPORTANT INFORMATION

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