

● SUPERANNUATION CO-CONTRIBUTION



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A Superannuation Co-Contribution is achieved by making a non-concessional contribution into superannuation to attract a co-contribution which can provide a significant boost to your retirement savings.

BENEFITS

- Your retirement savings may increase more quickly due to the compounding effect of making personal contributions and receiving the superannuation co-contribution.
- Your tax-free component will increase. This component is not taxable if withdrawn prior to age 60 or if paid to a non-tax dependent (such as an adult child) after your death.
- The additional contributions can help to cover the cost of insurance premiums if you hold insurance inside superannuation.
- A special concessional rate of tax applies to superannuation fund earnings whereas earnings from non-superannuation investments are generally taxed at marginal tax rates which may be typically higher.

HOW IT WORKS

The superannuation co-contribution is a government initiative to help people on low to medium incomes to boost their superannuation savings when certain criteria is met.

If you are an employee, your total assessable income to determine eligibility is the sum of your assessable income (before tax deductions), reportable fringe benefits and reportable employer superannuation contributions (which include salary sacrificed contributions).

If you are self-employed, your total income is your gross assessable income (before business deductions).

Even if you don't contribute the full amount needed to receive the maximum contribution from the Government, you can still take advantage of the scheme. However, just remember that for every \$1 less than the full amount needed to receive the maximum co-contribution, the Government's contribution drops by 50 cents.

It's also important to know the contribution you make into your superannuation needs to be from your after-tax pay. So, this does not include the superannuation paid by your employer, nor any payments you make to your superannuation through salary sacrificing.

The Australian Tax Office (ATO) will determine your eligibility for the co-contribution after receiving your tax return for the relevant year.

CALCULATING YOUR ENTITLEMENT

If eligible, the ATO will pay your co-contribution directly into your superannuation account. This payment is tax-free and does not affect your taxable income.

Your entitlement is based on the amount you have contributed into superannuation, your total annual assessable income and a range of other criteria

The Government could pay you up to 50 cents for every dollar you pay into your superannuation account with a maximum benefit payable of \$500 per annum, tax free.

If you are self-employed or partly self-employed, different contribution rules may apply.

WHAT YOU NEED TO CONSIDER

- Contributions that do not qualify for the Government co-contribution include:
 - employer contributions ;
 - contributions you make through salary sacrifice;
 - any contributions for which you have claimed a tax deduction;
 - rollovers from other superannuation funds, and
 - transfers from overseas superannuation funds.
- Personal contributions will form part of your preserved benefits. You can only access preserved benefits on retirement from the workforce on or after reaching your preservation age.
- Contribution caps apply to superannuation contributions. Your personal co-contribution into superannuation counts towards your non- concessional contribution cap. If this cap is exceeded, tax penalties can apply.
- Non- concessional contributions will only be permitted if an individual has a superannuation balance of less than the transfer balance cap.
- Fees may be charged for your superannuation contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- All contributions to superannuation are preserved until you meet a condition of release. You need to be sure that you do not need access to the amount contributed until you retire.
- The government may change superannuation legislation in the future.

REFERENCES



You may wish to refer to the following websites for further information about superannuation co-contributions:

- www.ato.gov.au
- www.moneysmart.gov.au

The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.

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