

## Recapping the caps

The end of the financial year is fast approaching, so it's time to review the amount you are contributing to superannuation.

The last federal budget introduced changes to 'contribution caps' that may affect you. The caps apply to super contributions for each financial year, with any excess contributions subject to penalty tax. The cap amounts depend on your age and the nature of the contributions.

Australia is struggling to fund its ageing population, and the changes are expected to save the federal government \$2.81 billion over the next four years. The changes will affect your retirement plans and mean you may need to re-consider your superannuation strategy.

Under the previous arrangements, saving for retirement once your mortgage was paid off was considered sufficient. Unfortunately, this is no longer the case, and careful retirement saving will be needed to allow the benefits of 'compounding' to boost your super balance.

It is important to review the amount being contributed to your super from all sources. It's up to the individual to keep track of these amounts because neither your employer nor super fund is responsible for checking contributions against the new caps.

### Super contributions fall into two main categories:

Concessional: contributions for which a tax deduction is claimed.

- Superannuation Guarantee employer contributions
- Salary Sacrifice contributions
- Personal deductible contributions

Non-Concessional: contributions made with money on which you have already paid tax.

- Personal contributions from after tax income
- Spouse contributions

In the last federal budget, several changes were made to contributions caps. While the **non-concessional caps** remain unchanged at \$150,000 for the current financial year, the level of **concessional contributions** was halved.

The annual concessional cap for the current financial year is **\$25,000** for those aged under 50. If you are 50 or over, a 'transitional' cap of **\$50,000** applies, but only until June 2012. Contributions over these limits are taxed at 31.5%, in addition to the 15% contributions tax paid by your super fund (a total of 46.5%).

### The new concessional caps for the 2009 – 2010 financial year are;

| Your Age                                | New Cap  | Previous Cap |
|---|----------|--------------|
| Under 50 years of age on 30 June 2010   | \$25,000 | \$50,000     |
| 50 years of age or more on 30 June 2010 | \$50,000 | \$100,000    |

## **ARE YOU CONTRIBUTING TOO MUCH TO SUPER?**

- Check the level of employer contributions being made on your behalf.
- Consider all employer contributions if you have changed jobs during the financial year or have more than one employer.
- Check the amount you are contributing to super via salary sacrifice.
- Check the amount you are contributing to super via life insurance premiums.
- Check the timing of contributions - for example, if your employer paid your June 2009 contributions after July 1 2009, they will count towards the new cap for the 2010 year.

## **ARE YOU CONTRIBUTING ENOUGH TO SUPER?**

- Determine which cap applies to you for the current financial year.
- Maximise contributions within the new limits to ensure a healthy super balance at retirement.
- If you are aged over 50, ensure you are maximising contributions until 2012 when the transitional cap will reduce.

Further changes to superannuation legislation are expected. We will keep you up to date with developments as they occur. Please contact your adviser to make sure that your super strategy and arrangements for the current financial year are on track.

Source:

[www.ato.gov.au](http://www.ato.gov.au) 'Summary of contribution caps' – table (accessed on 28 January 2010)

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