



# Superannuation in a Nutshell

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An Overview of Superannuation & Tax Planning Opportunities

# What is Superannuation ??

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**A Tax Advantaged Investment Structure for the  
Accumulation  
of Retirement Savings and Investments**

## What is Superannuation cont'd

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- Superannuation is not an investment !
- It is a tax concessional environment for your retirement savings
- Great way to reduce taxable income for employees & self employed
- Most tax-effective way to accumulate wealth for most people
- Most tax-effective vehicle to draw funds from in retirement

# What are the alternatives for Super?

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Four main options for superannuation investment

(1) Industry Fund (Austsafe or other)

(2) Master Trust /Retail Super

(3) WRAP Platform

(4) Self Managed Super Fund

(RBS Morgans can assist with establishment and operation of SMSF)

# Contributions Caps from 1 July 2009

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## Concessional (deductible) limits

- **\$25,000 pa per person**
- **\$50,000 pa per person transitional limit for over 50s up to June 2012**

## Non-Concessional (non-deductible) limits

- **6 x \$25k Concessional Contribution limit = \$150,000 for 2009/10**
- **Average/brought forward rule**
  - Total over 3 years = 3 x non-concessional contribution limit (\$450,000 09/10)
  - only for people under age 65.

# Contribution Age Restrictions

Details	Description
18 – 65 years	No work test, no conditions. Anyone can make contributions.
65 – 75 years	To contribute – must work >40hrs over 30 consecutive days. Concessional and Non-Concessional Contributions allowed.
> 75 years	No contributions unless mandatory from employer. Can retain in accumulation account even if not working.
Spouse	If splitting contributions to spouse - receiving spouse < 65. No work test required.

# Co-Contribution Scheme

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Effective 1 July 2009

- Payment will be \$1,000 for 2009/10, 2010/11 & 2011/12 years
- Increases to \$1,250 in 2012/13 & 2013/14 years
- Returns to \$1,500 in year 2014/15 onwards
- Thresholds
  - \$31,920 min, and
  - \$61,920 max
- Still an attractive strategy for superannuation

## The Role of Self Managed Superannuation Funds (SMSFs)

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Individuals can establish their own fund instead of having a retail, corporate or industry fund.

Why?

- Greater control over investments
- Greater control over tax management
- Reduction in investment and administration costs over long term
- Estate planning

# Key Advantages

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- Greater control over what type of assets = your own investment strategy
- Flexibility to change investments –capital gains tax, performance issues
- Cost effective over long term
- Significant tax planning strategies
- Access to gearing opportunities not available in retail super funds.
- Allows you to look after your family

## Example of an Investment Strategy

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<b>Portfolio</b>	<b>Range</b>	<b>Benchmark %</b>
<b>Cash</b>	<b>5 – 20%</b>	<b>10%</b>
<b>Fixed Interest</b>	<b>0 – 40%</b>	<b>30%</b>
<b>Property</b>	<b>5 – 30%</b>	<b>20%</b>
<b>Shares (Australian and International)</b>	<b>15 – 70%</b>	<b>40%</b>

These ranges are purely indicative and the trustees may vary the allocations at any time if satisfied that conditions warrant such a change. In arriving at the investment strategy, the trustees considered the Risk and Return of the Investment Strategy.

# Investment Restrictions

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## **Trustees must understand investment restrictions of the SMSF. You cannot:**

- carry on a business within the fund;
- access funds until condition of release is met (usually retirement);
- borrow to invest;
- lend money;
- breach in-house assets test;
- use SMSF assets for personal use (ie don't buy groceries with SMSF cheque book);
- transfer certain assets into SMSF.

# Contributing to Your SMSF

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- Cash
- Existing shares & managed funds via “in specie”
  - transferred at market value
  - capital gains tax involved
- Business Real Property
  - 100% of land/buildings exclusively used for business purposes
- Existing Super & Rollover funds
- **CGT Retirement/Rollover Exemption for Small Businesses**  
(may be able to access on sale of farming property)

# In Summary

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Why super?

**We need to provide for our retirement**

Why super works?

**Long term, tax effective savings vehicle**

Why super is better?

**Tax breaks - your investment grows faster**

Simpler Super

**New rules – new opportunities**

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