

Big changes for over 50s



If you're aged 50 or over, this year's change to the concessional contributions caps could make a big difference to your retirement plans. Without good strategic advice, you could miss some significant opportunities or incur higher tax bills.

What's happening?

The concessional contribution (CC) cap is legislated to reduce from \$50,000 to \$25,000 pa on 1 July for people aged 50 or over.

The cap applies to concessional super contributions including employer contributions (such as superannuation guarantee contributions and contributions made under a salary sacrifice arrangement) as well as personal contributions claimed as a tax deduction.

The Government is still discussing retaining the CC cap at \$50,000 pa for people age 50 or over with less than \$500,000 in super. Nevertheless, whichever way the legislation goes, there could be significant implications if you are in this age group.

Should you do anything?

If you think you'll be affected by the change, you should speak with us about making the most of the higher cap this financial year by making concessional contributions of up to \$50,000 before 30 June. After that date, it's important to review your contributions and reduce them if necessary. If you exceed the CC cap, you could end up paying excess contributions tax of 31.5%.

What if you're not affected by a lower cap?

Even if you are not affected by a reduced cap from 1 July, it's still important to be aware of the tax consequences of contributing too much to super. While super is still a very tax-effective place to save for retirement, the benefits can be unwound if you put in too much.

Also keep in mind that with retirement likely to be less than 10 years away, you only have limited opportunities to top up your super. So it's worth thinking about using as much of this year's cap as your cashflow allows.

We can review your retirement goals and years until you retire, and put together a contribution plan that makes the most of your opportunities without triggering unnecessary tax bills. **Rick Maggi**