

Non-Concessional Contributions

For those who are still working at age 65

The changes to superannuation legislation have focussed attention on getting after-tax contributions into the superannuation environment.

The age of 65 is a crucial milestone in superannuation – unless you pass the work test of 40 hours paid work in a consecutive 30 day period you cannot contribute to superannuation after this age.

For the vast majority of Australians this age guides strategies for maximising non-concessional contributions prior to commencing tax free income streams.

The threshold for non-concessional contributions is \$150,000. People under age 65 can bring forward two years worth of contributions, meaning that a maximum of \$450,000 (*the 3 year cap*) can be contributed in a single year providing no other contributions are made in the following two years.

The typical strategy for a member not intending to work past age 65 assumes a \$450,000 non-concessional contribution is made in the year the member turns 65 but before their 65th birthday. Thus if a member was 59, would not work past 65 and had \$1,200,000 to contribute the pattern to maximise contributions would be:

Age at contribution	Amount
59	\$450,000
62	\$150,000
63	\$150,000
64	\$450,000
Total	\$1,200,000

Should you require assistance or additional information, contact

Mark Wilkinson | 02 9240 9952 | mark_wilkinson@pkf.com.au

Jennie Lynn | 02 9240 9760 | jennie_lynn@pkf.com.au

Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

PKF has offices throughout Australia:

ADELAIDE – BRISBANE – CANBERRA – DARWIN – GOLD COAST – HOBART
MELBOURNE – MOUNT BARKER – PERTH – SYDNEY – TOWNSVILLE

Disclaimer: The material contained in this publication is in the nature of general comment and information only and neither purports, nor is intended, to be advice on any particular matter. Readers should not act or rely upon any matter or information contained in or implied by this publication without taking appropriate professional advice. All financial figures are quoted in Australian Dollars unless otherwise indicated.

If you prefer not to receive this newsletter, please return your mailing label and advise us that you no longer wish to receive this information. Please address to: National Marketing Department - PKF, Level 10, 1 Margaret Street, Sydney NSW 2000 or fax to: (02) 9240 9821.

If the member works past 65 then they are still able to contribute from 65 to 74 if they satisfy the work test, but they are unable to bring forward 2 years worth of contributions. They are therefore limited to contributions of \$150,000 pa.

However, note that the person in the previous table would not be able to make any further contributions when they are 65 and 66 as they have already used the next two year's contributions.

An alternative

The legislation provides an alternative. It is possible for the member to trigger the 3 year cap by making a contribution in excess of \$150,000 **before** turning 65. The member can then contribute the balance of the \$450,000 in the following two years when they are over 65 as long as they meet the work test.

In this case a contribution strategy may look like the following:

Age at contribution	Amount
64	\$150,001
65	\$200,000
66	\$99,999
Total	\$450,000

Strategies can be tailored to suit a member's circumstances by utilising the non-concessional contributions thresholds and tax free components. These strategies aim to maximise the tax free component in a superannuation balance thus providing death benefits from superannuation that are tax free to non-dependents, such as adult children.