

Super strategies

Make tax-deductible super contributions

By making a personal super contribution and claiming the amount as a tax deduction, you may be able to pay less tax and invest more in super.

How does the strategy work?

If you make a personal super contribution, you may be able to claim the contribution as a tax deduction and reduce your assessable income.

The contribution will generally be taxed in the fund at the concessional rate of up to 15%¹, instead of your marginal tax rate which could be up to 47%².

Depending on your circumstances, this strategy could result in a tax saving of up to 32% and enable you to increase your super.

Note: From 1 July 2017, most people will be able to claim a tax deduction for personal super contributions, regardless of their employment status.

How do you claim the deduction?

To be eligible to claim the super contribution as a tax deduction, you need to submit a valid **'Notice of Intent'** form. You will also need to receive an acknowledgement from the super fund before you complete your tax return, start a pension or withdraw or rollover money from the fund to which you made your personal contribution.

Make sure you can utilise the deduction

It is generally not tax-effective to claim a tax deduction for an amount that reduces your assessable income below the threshold at which the 19% marginal tax rate is payable. This is because you would end up paying more tax on the super contribution than you would save from claiming the deduction.

Other key considerations

- Personal deductible contributions count towards the 'concessional contribution' cap (which is \$25,000 in 2017/18) and tax penalties apply if you exceed the cap.
- You can't access super until you meet certain conditions.
- If you are an employee, another way you may be able to grow your super tax-effectively is to make salary sacrifice contributions (see opposite page).
- From 1 July 2018, if certain eligibility criteria are met, you may be able to carry forward unused concessional cap amounts. This may enable you to make concessional contributions in excess of the annual cap in a future year.

Seek advice

To find out whether you could benefit from this strategy, you should speak to a financial adviser and a registered tax agent.

¹ Individuals with income above \$250,000 in 2017/18 will pay an additional 15% tax on personal deductible and other concessional super contributions.

² Includes Medicare levy

Case study

Bob, aged 55, is self-employed, earns \$80,000 pa and pays tax at a marginal rate of 34.5% (including the Medicare levy).

He's paid off most of his mortgage, plans to retire in 10 years and wants to boost his retirement savings.

After speaking to a financial adviser, he decides to make a personal super contribution of \$10,000 and claim the amount as a tax deduction.

By using this strategy, he'll increase his super balance. Also, by claiming the contribution as a tax deduction, the net tax saving will be \$1,950.

Details	Make personal contribution	Make personal contribution and claim deduction
Personal super contribution	\$10,000	\$10,000
Assessable income	\$80,000	\$80,000
Less super deduction	Nil	(\$10,000)
Taxable income	\$80,000	\$70,000
Income tax and Medicare payable	\$19,147	\$15,697
Income tax and Medicare levy saving		\$3,450
Less fund tax on deductible contribution		(\$1,500)
Net tax saving		\$1,950

Salary sacrifice contributions

If you are an employee, you may want to arrange with your employer to contribute some of your pre-tax salary into super. This is known as 'salary sacrifice'.

Like making personal deductible contributions, salary sacrifice may enable you to boost your super tax-effectively. There are, however, a range of issues you should consider before deciding to use this strategy.

Your financial adviser can help you determine whether you should consider salary sacrifice instead of (or in addition to) making personal deductible contributions.

You may also want to ask your financial adviser for a copy of our super strategy card, called '**Sacrifice pre-tax salary into super**'.

Important information and disclaimer

This publication has been prepared by GWM Adviser Services Limited (ABN 96 002 071 749, AFSL 230692) ('GWMAS'), a member of the National Australia Bank group of companies ('NAB Group'), 105-153 Miller Street, North Sydney 2060. Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Accordingly, reliance should not be placed on the information contained in this document as the basis for making any financial investment, insurance or other decision. Please seek personal advice prior to acting on this information. Information in this publication is accurate as at 1 July 2017. While it is believed the information is accurate and reliable, the accuracy of that information is not guaranteed in any way. Opinions constitute our judgement at the time of issue and are subject to change. Neither GWMAS nor any member of the NAB Group, nor their employees or directors give any warranty of accuracy, accept any responsibility for errors or omissions in this document. The case study in this publication is for illustration purposes only. Any general tax information provided in this publication is intended as a guide only and is based on our general understanding of taxation laws. It is not intended to be a substitute for specialised taxation advice or an assessment of your liabilities, obligations or claim entitlements that arise, or could arise, under taxation law, and we recommend you consult with a registered tax agent.