PLANET WEALTH

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Newsletter - September 2021

Welcome to the latest edition of our client newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss “FHSSS Work” and provide you with information on “Spouse Super Contributions” and “COVID relief for retirees”.

If you would like to discuss any of the issues raised in this newsletter, please don’t hesitate to contact us.
In the meantime we hope you enjoy the read.

All the best,
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How does the First Home Super Saver Scheme (FHSSS) work?

If you're a first home buyer, you may be eligible to withdraw voluntary super contributions you've made (plus earnings) to put towards a home deposit.

Through the First Home Super Saver Scheme (FHSSS), first-home buyers may be able to use Australia's superannuation system as a tax-effective way to save for part of their home deposit.

How does it work?

If you're aged 18 or over and are an eligible first home buyer (which broadly means that you've never owned any Australian property before), you can withdraw voluntary super contributions which you've made since 1 July 2017 to put towards a home deposit. More on eligibility criteria below.

Under the FHSSS, first home buyers, who have made voluntary super contributions of up to $15,000 per financial year into their super, can withdraw these amounts (plus associated earnings/less tax) from their super fund to help with a deposit on their first home.

If you're eligible, the maximum amount of contributions that can be withdrawn under the scheme is broadly $30,000 for individuals, or $60,000 for couples.

The government has also proposed increasing the cap on withdrawals of voluntary super contributions under the scheme from $30,000 to $50,000 per person from 1 July 2022, however this is yet to become law.

What counts as a voluntary super contribution?

Voluntary super contributions don't include the compulsory super guarantee contributions your employer is required to make into your super fund, if you're eligible. Spouse contributions (which are those that your partner may choose to put into your super fund) also can't be withdrawn under the scheme.

Voluntary contributions that can be withdrawn include:

Salary sacrifice contributions

These are contributions you can get your employer to pay you out of your before-tax income if you choose to, which are on top of what your employer might pay you under the super guarantee, if you're eligible.

Tax-deductible super contributions

These are contributions you can make (such as when you transfer funds from your bank account into your super) that you then claim a tax deduction for when you do your tax return.

Personal super contributions

These are contributions which you can also make by transferring funds from your bank account into super, but which you don't claim a tax deduction for.

How does the scheme benefit first home buyers?

Due to the favourable tax treatment, generally available through super, the FHSSS intends to help first home buyers to grow their deposit more quickly, while potentially reducing the tax they pay.

When money is withdrawn under the FHSSS, amounts that were contributed as before-tax or tax-deductible contributions are taxed at your marginal tax rate, less a 30% tax offset, while amounts that are contributed as after-tax contributions aren't subject to additional tax.

Note, tax will also apply to the associated earnings.

Meanwhile, it's important to understand that the money you save through the scheme mightn't be enough for a full deposit to buy your first home, but you could combine it with other methods of saving to potentially help you get there faster.

How do I withdraw contributions under the scheme?

To make a withdrawal under the scheme, an application to the Australian Taxation Office (ATO) will be required, and an eligible person is only allowed one FHSSS withdrawal in their lifetime.

What else should I be aware of?

1. Before you can request a withdrawal, you must first get a 'determination' from the ATO using your myGov account. The determination tells you how much you can withdraw under the scheme. You can ask for as many determinations as you like but can make only one withdrawal request.
2. You must buy residential premises. This includes vacant land (if you're planning to build), but not any premises that can't be occupied as a residence, and not a houseboat or motor home.
3. You'll need to buy a home or land to build on within 12 months of withdrawal. You can ask the ATO to extend this to 24 months if required.
4. FHSSS amounts that are withdrawn and not subsequently used for a property purchase must be put back into super as after-tax contributions, or penalties will apply.
5. The first-home buyer must live at the property for at least six months in the first 12-month period from when it can be occupied.
6. The maximum amount you can withdraw under the scheme is $30,000 (plus earnings). Remember that, there are also annual contributions caps in place you should be aware of.
7. Additional rules may apply to your situation, so make sure you do your research before making any decisions.

Spouse super contributions – what are the benefits?

If your partner is a low-income earner, working part-time, or currently unemployed, adding to their super could benefit you both financially.

Your other half might be accumulating little or no super at all to fund their retirement if they're not a big-income earner, or they're out of work or working less hours.

If you'd like to help them by putting money into their super, you might be eligible for a tax offset, while potentially creating additional opportunities for both of you.

Below we explain how the spouse contributions tax offset works, in addition to what contributions splitting is and how the two differ.

The spouse contributions tax offset

Are you eligible?

To be entitled to the spouse contributions tax offset:

- You must make a non-concessional contribution to your spouse's super. This is a voluntary contribution made using after-tax dollars, which you don't claim a tax deduction for.
- You must be married or in a de facto relationship.
- You must both be Australian residents.
- The receiving spouse has to be under age 67, or if they're between 67 and 74 they must meet work test requirements, where they'll need to have been employed during the financial year for at least 40 hours over a period of 30 consecutive days. A work test exemption may also apply.
- The receiving spouse's income must be $37,000 or less for you to qualify for the full tax offset and less than $40,000 for you to receive a partial tax offset.

What are the financial benefits?

If eligible, you can generally make a contribution to your spouse's super fund and claim an 18% tax offset on up to $3,000 through your tax return.

To be eligible for the maximum tax offset, which works out to be $540, you need to contribute a minimum of $3,000 and your partner's annual income needs to be $37,000 or less. If their income exceeds $37,000, you're still eligible for a partial offset. However, once their income reaches $40,000, you'll no longer be eligible for any offset, but can still make contributions on their behalf.

Are there limits to what can be contributed?

You can't contribute more than your partner's non-concessional contributions cap, which is $110,000 per year foreveryone, noting any non-concessional contributions your partner may have already made.

However, if your partner is under 67 and eligible, they (or you) may be able to make up to three years of non-concessional contributions in a single income year, under bring-forward rules, which would allow a maximum contribution of up to $330,000.

Another thing to be aware of is that non-concessional contributions can't be made once someone's super balance reaches $1.7 million or above as at 30 June of the previous financial year. So, you won't be able to make a spouse contribution if your partner's balance happens to reach that amount.

There are also different super balance limits in place if you want to take advantage of the bring-forward rules.

How contributions splitting differs

Another way to increase your partner's super is by splitting up to 85% of your concessional super contributions with them, which you either made or received in the previous financial year. Concessional super contributions can include employer and or salary-sacrifice contributions, as well as voluntary contributions you may have claimed a tax deduction for.

What rules apply?

To be eligible for contributions splitting, your partner must be under their preservation age, or between their preservation age and 65 (and not retired). If you're not sure what your partner's preservation age is, check the table below.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

Are there limits to how much can be contributed?

Amounts you split from your super into your partner's super will count toward your concessional contributions cap, which is $27,500 per year for everyone.

On top of this, unused cap amounts accrued since 1 July 2018 can also be contributed, if they're eligible. Note, this broadly applies to people whose total super balance was less than $500,000 on 30 June of the previous financial year.

Do all super funds allow for this type of arrangement?

You'll need to talk to your super fund to find out whether it offers contributions splitting, and it's also worth asking whether there are any fees.

Your circumstances will play a big part in what you both decide to do. And, as the rules around spouse contributions and contributions splitting can be complex, it's a good idea to chat to us to make sure the approach you and your partner take is the right one.

COVID relief continues for retirees

The Australian Government has extended measures brought in to help retirees through the COVID-19 crisis.

Lower minimum income rate...

If you hold an account-based pension or similar product, you need to withdraw a certain amount each financial year – this is called your minimum income amount. The Government reduced this amount by 50% during the last year.

The lower rate has now been extended until 30 June 2022 so Australian retirees can continue to receive a lower income if they wish. It minimises the need to sell down assets in markets that remain depressed.

Here are the minimum pension drawdown rates for 2021-22.

Age	Default minimum income (%)	Reduced minimum income for 2021-22 (%)
Under 65	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
95 or more	14	7

The lower rates are not compulsory, so you can choose to receive a higher payment if you prefer. But if you've chosen to receive the minimum income amount, this will continue to apply.

It's a good idea to check your current pension payment arrangement before making any changes.

If you'd like to change your pension payment amount, frequency or date, you can speak to us about your options.

..and deeming rates

Meanwhile, the Government has retained lower deeming rates for 2021-22, while increasing the asset thresholds at which they apply[i]. These lower deeming rates were brought in during 2020 to help Australian retirees through the COVID-19 crisis.

Deeming rates apply as a way to check if you're eligible for the age pension and other entitlements. Deeming assumes you earn a certain income from your investments, regardless of how much you actually earn. It means any Government payments you receive remain steady, rather than fluctuating depending on how your investments are performing.

Deeming can provide an incentive to invest, as any extra amount you earn above the deeming rate doesn't count as income.

If you're looking to make the most of your retirement income, please don't hesitate to give us a call today.

i https://www.servicesaustralia.gov.au/individuals/topics/deeming/29656

Status	Thresholds 2020-21	Thresholds 2021-22	Deeming rates
Single	First $51,800	First $53,600	0.25%
	Balance over $51,800	Balance over $53,600	2.25%
In a couple, at least one pension	First $86,200	First $89,000	0.25%
	Balance over $86,200	Balance over $89,000	2.25%
In a couple, no pension	First $43,100	First $44,500	0.25%
	Balance over $43,100	Balance over $44,500	2.25%