# Considering making a lump sum contribution?

Making after tax lump sum payments into your super can be very tax effective. After 1 July 2007, a benefit of contributing into Super is that withdrawals are tax free after you reach age 60.. Moving your assets into super could a wise move, but there are many points to consider first, as this will be money you cannot draw on until you retire.

### Timing issues

- The first point to consider is: when will you need this money? Generally, you cannot withdraw your super until you reach what they call your 'preservation age' (see over for details). You do not want to restrict your current cashflow, which may affect your retirement date, for the sake of a tax benefit.
- How well is your super fund performing? What are you going to invest this money in? Is it better than where you have it now? Is it better than other investment alternatives?

### Tax benefits

- After-tax contributions (otherwise known as non-concessional contributions) such as personal contributions, spouse contributions and the Government co-contribution, are returned to you tax-free, either as a lump sum or as part of a retirement income.
- The earnings on your super are taxed at a maximum of 15%.
- Both taxable and after tax contributions are returned to you tax-free when you withdraw over age 60.
- Contributions tax of 15% is not charged, as they are assumed to have already been taxed.

### Government Benefits

- Moving funds from a cash investment into superannuation can increase any Centrelink entitlements because superannuation is not counted in the assets or income test, while you are still under Age Pension age and do not start an income stream..
- If you are eligible, you may be able to take advantage of the Government's Co-Contributions Scheme. This will give your superannuation balance an extra boost.

### Strategic considerations

- If you are still working and between the ages of 55 and 65 (check on your preservation age over the page) you can put some, or all, of your superannuation funds into a 'transition to retirement' pension. This means that you can use your super to give you additional income even while you are still working. However, you cannot make lump sum withdrawals until you meet another condition of release such as permanent retirement, stopping work for your current employer over age 60, or reach age 65.
- Recent changes in contribution limits means that non-concessional contributions are limited to $150,000 for each person, each year. However, they will also allow averaging over three years so you can put $450,000 in one year and then nothing for the next two.

You need to take these conditions into account before you make a lump sum contribution to super. We can help you decide what is right for you.

# When can I take my super?

There are conditions to drawing on your super. Generally, it's not until you retire, but there are special conditions, and more flexible options, some of which are outlined below. Please note that this is not an exhaustive list.

| Age | When you can access your benefits |
|---|---|
| **Under 55** | Only under financial hardship or compassionate grounds which are quite difficult to qualify for.<br>In some cases unrestricted non-preserved components or possibly restricted non-preserved components may be accessible if you leave your current employment. |
| **55 to 60** | If you have stopped working and never intend to work for more than 10 hours a week. You will have to sign a statement to say this is your intention. You also need to have reached your preservation age, which depends on your date of birth (see table below).<br>If you are still working, you can use all or part of your super to purchase a 'transition to retirement' pension, which will provide you with a regular income. However, you cannot withdraw your money as a lump sum from this pension until you permanently retire from the workforce, leave your employer after age 60 or reach the age of 65. |
| **60 to 65** | When your employment ceases after age 60. You do not have to state that you do not intend to work again. You can also access the 'transition to retirement' pension even if you continue to work. If you work more than 1 job, leaving one job is sufficient to enable you to access your super. However, any benefits that accumulated after you leave that job will be preserved and will not be able to be claimed until a new condition of release is met. |
| **Over 65** | Your super benefits become fully accessible whether or not you are working. |

Please note: you may need to pay tax when you withdraw your superannuation if you are under 60. This depends on the components of your superannuation.

| DATE OF BIRTH | PRESERVATION AGE |
|---|---|
| **Before 1 July 1960** | 55 years |
| **1 July 1960 – 30 June 1961** | 56 years |
| **1 July 1961 – 30 June 1962** | 57 years |
| **1 July 1962 – 30 June 1963** | 58 years |
| **1 July 1963 – 30 June 1964** | 59 years |
| **On or after 1 July 1964** | 60 years |

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**Any questions? Call 1800 046 166 or visit: www.moneysolutions.com.au**



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