THERE'S NO TIME LIKE THE PRESENT

The recent leadership change has meant the sustainability and fairness of our generous superannuation system is once again in the spotlight.

Tony Abbott's promise of no changes to superannuation is now of no substance, opening the door again to speculation and debate of what and when changes are made. Malcolm Turnbull and his team haven't ruled out a change to super, which means it is only a matter of time.

Assuming there is a degree of grandfathering of any changes, now may be the ideal time to top up superannuation balances in order to take advantage of the generous tax benefits created by Peter Costello and John Howard.

While both the concessional (pre-tax) and non-concessional (post-tax) contributions caps have been relatively stagnate in recent history, they still provide the opportunity to move substantial wealth into the tax-effective superannuation environment.

Currently the concessional cap allows those under 49 to contribute $30,000 and those 49 or over to contribute $35,000 each year. This contribution is treated as a tax-deduction and is usually completed through a salary sacrifice arrangement with an employer, however self-employed and unemployed individuals may also make concessional contributions.

The non-concessional contributions cap is currently $180,000 per annum, or $540,000 over a three year period for those under age 65. This means a couple can contribute $1,080,000 at once if desired. When combined with their maximum concessional contributions, a couple could move up to $1,150,000 into the superannuation environment.

Contributions do not always need to be cash, particularly non-concessional contributions. Shares can be transferred into the fund off-market to ensure any future income or growth is realised in the superannuation environment.

Q: Why would you move wealth into superannuation?

A: To take advantage of the renowned tax-effective environment.

All earnings inside superannuation are taxed at worse, 15%, opposed to up to 49% in an individual's name. Once a pension begins to be drawn down, the superannuation fund enters the tax-free environment, that is, all income and capital gains earned from that point on are completely tax-free. A legal tax-free environment that is almost too good to be true!

And don't forget retirement is not necessary to draw a pension from superannuation. The tax-free pension environment can be utilised from age 56 for many, regardless of work status.

Investing wisely into well-known Australian companies that pay high dividends with significant franking credits means the fund can actually receive a substantial refund from the tax office each year representing the refund of franking credits. An SMSF in pension phase with a $1million balance could easily receive a refund of $20,000 each year from the ATO.

With shares pulling back from their recent highs, there is no time like the present to take advantage of the contribution caps to move wealth into the generous tax-effective superannuation environment.

The investment decision is not just what to buy. Buying in a tax effective structure is also an important consideration for many.

Talk to your adviser for guidance on not only what to buy but where to buy.

Regards

Jeremy Tyzack
Head of Technical Financial Advice
Bell Potter Securities

Bell Potter's technical financial advice team can put together a strategy designed to help you achieve your retirement objectives.

Working with you and your Bell Potter Adviser, we can help with most financial aspects of retirement, including:

- Identifying your financial goals
- Structuring your existing assets appropriately
- Identifying your approach to investment and your appetite for risk, and
- Reviewing your current superannuation arrangements.

To create a tailored investment plan based on your needs and objectives call your adviser or 1300 0 BELLS (1300 0 23357).

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