

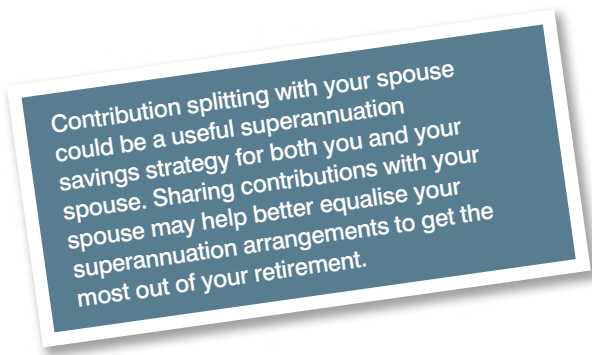
Splitting contributions with your spouse



What is contribution splitting?

Contribution splitting allows you to ‘split’ with your spouse¹ certain contributions made on your behalf to your superannuation fund.

You can apply to split contributions with your spouse after the end of each financial year, or during the current financial year prior to transferring your entire superannuation account balance to another fund (for example if you are leaving your superannuation fund).



Contribution splitting with your spouse could be a useful superannuation savings strategy for both you and your spouse. Sharing contributions with your spouse may help better equalise your superannuation arrangements to get the most out of your retirement.

¹ Spouse includes married or defacto and same-sex couples.

Is my spouse eligible to receive contributions?

You can split contributions with your spouse if they are under their preservation age, or between their preservation age and 65 and not permanently retired from the workforce.

What contributions are eligible to be split?

Up to 85% of concessional contributions including:

- 9% Superannuation Guarantee;
- additional employer contributions;
- salary sacrifice contributions.

Contributions split with a spouse will be classified as a taxable component in the receiving spouse's fund. This means that tax may be payable on the split amount if it is paid to them before age 60, or it is paid to a non-dependent beneficiary on death.

What amounts can't I split?

- any investment earnings on the contributions before they are split;
- contributions made towards the defined benefit component of your superannuation benefit;
- transfers from other funds;
- transfers from overseas superannuation funds;
- previously split contributions;
- contributions towards a superannuation account which is subject to a Family Law payment split or flag;
- non-concessional contributions made after 5 April 2007; and
- Government co-contributions.

How does it work?

You can split any eligible contributions made on or after 1 January 2006. However, you can only request to split your contributions once every financial year. Your contributions will then be transferred into your spouse's superannuation fund and will be fully preserved – that means, generally, your spouse won't be able to access it until they've reached age 65, or have reached their preservation age and retired.

The preservation ages are outlined in 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
After 30 June 1964	60

If you split your contributions into your spouse's fund which is outside the Plum Superannuation Fund, a contribution splitting fee of \$66.60 applies. However, should the contributions be transferred into a spouse account within the Plum Superannuation Fund, no fee will apply.

Advantages of contribution splitting

If you choose to redirect money into your spouse's account, superannuation can be accumulated in two names rather than one. This means you could better equalise your benefits and potentially reduce the tax payable before age 60.

Remember, before you decide whether to split your contribution, you may want to speak to a qualified financial adviser to determine if it is an appropriate strategy for you.

Factors to consider for contribution splitting

It may be appropriate to consider contribution splitting if:

- you or your spouse are likely to have a superannuation account with a taxable component above the tax-free threshold (\$150,00 for the 2009-2010 financial year) and are looking to retire before age 60;
- either you or your spouse is likely to retire well before the other; or
- you would like to equalise your superannuation arrangements to help protect you and your spouse against any future legislative changes which may affect a spouse with a large account balance.

Take advantage of a second tax-free threshold

If your spouse has a relatively low account balance and you would like to access your super benefits after your preservation age but before age 60, you can redirect your contributions to ensure you take advantage of a second tax-free threshold on the taxable component on each of your accumulated superannuation accounts. This means when you and your spouse retire before age 60 and receive your super payout, the first \$150,000 (for the 2009-2010 financial year) of each of your taxable component is taxed at zero instead of 16.5 per cent. Combined, in this way, you could potentially access \$300,000 tax free.

Case study

Harry, aged 48, is working full-time and is married to Ruth, aged 47, who is working part-time. They both plan to take their super as a cash lump sum in ten years (ie before either of them reaches age 60). Harry and Ruth currently have \$200,000 and \$10,000 in their respective super funds, consisting entirely of a taxable component.

As Harry's super already exceeds the low rate cap on the taxable component of \$150,000 in 2009-2010, he arranges to split 85% of his employer's contributions into Ruth's super account in each of the next ten years until she reaches age 57*.

At the end of the ten year period, Ruth's super benefit is worth a total of \$135,000. This includes \$100,000 of contributions split into her account and related earnings. Because the total amount of \$135,000 is within the low rate cap, Ruth will pay no lump sum tax when cashing out her benefit#.

Conversely, if the \$100,000 in split contributions and related earnings had stayed in Harry's super account, he would have paid tax of 16.5%^ when received as a cash lump sum before age 60. By using the splitting strategy, Harry and Ruth will save \$16,500 in lump sum tax as a couple.

* Ruth is able to receive the contribution splits between age 55 and 57, as she will still be employed part-time.

Ruth is able to access her super at age 57, as she will have reached her preservation age.

^ Includes a Medicare levy of 1.5%.

The effect of contribution splitting

	If received by Ruth	If retained by Harry
Split contributions and related earnings	\$100,000	\$100,000
Lump sum tax rate payable	Nil	16.5% [^]
Lump sum tax payable	Nil	\$16,500

By using the combination splitting strategy, Harry and Ruth will save \$16,500 in lump sum tax as a couple.

Important information:

Ruth's superannuation benefit in ten years is gross of lump sum tax but net of all other taxes, including 15 per cent income tax and capital gains tax (with discounting applying). All earnings are reinvested. No contribution splitting fees are payable on the basis that the monies are transferred to the *Eligible Spouse Plan* within the Plum Superannuation Fund. Product related fees are paid by the employer. Figures do not take into account any associated investment buying or selling costs. The case study has been sourced from MLC Limited and does not take into account an individual's objectives, financial situation or needs. Plum recommends that you seek financial and tax advice before making any decision about your superannuation.

You may want to consider additional contributions

The concessional contribution cap (\$25,000 for members less than age 50 for the 2009-2010 year) will be indexed to Average Weekly Ordinary Time Earnings (AWOTE), in \$5,000 increments.

This could provide the opportunity to salary sacrifice some additional contributions into super and then split 85 per cent of those contributions into your spouse's account (providing this will not result in your spouse exceeding the cap).

What else should I keep in mind?

While contribution splitting has the potential to benefit many couples, you should keep in mind:

- spouse eligibility applies to legally married, de-facto and same-sex couples, where the receiving spouse is under their preservation age, or between their preservation age and 65 and not permanently retired from the workforce;
- once you split your contributions, your spouse cannot transfer the contributions back to you;
- all contributions split with a spouse are classified as a taxable component in the receiving spouse's fund;
- if you are leaving the Plum Superannuation Fund, you can make a request to split your contributions, however, the split request should be made before the transfer request;
- not all superannuation funds offer contribution splitting and the funds that do offer the facility are likely to have their own rules and limits;
- if you have a defined benefit component you cannot split contributions made in respect of that component. However, you can split additional concessional contributions you make to an accumulation account;
- superannuation benefits that are subject to a Family Law split are also excluded from contribution splitting; and
- contributions that are split are still subject to preservation rules and cannot be accessed until a condition of release has been met.

Where to from here?



Thinking about your next steps you may want to consider:

When to split your contributions

You can only split contributions annually after the end of the financial year (after 30 June each year), unless you are rolling over or withdrawing your entire superannuation account balance at that time.

How to make it happen

Contact a Plum Member Services Consultant on **1300 55 7586**. Contribution splitting is a complex issue and may not be suitable for everyone. We recommend that you seek the advice of a financial adviser if you are considering this strategy.



Seek advice

Remember, contribution splitting won't benefit everyone and, as with any financial decision you should think about whether it fits with your personal objectives and financial goals. You should also consider the *Product Disclosure Statement (PDS)*. Before you make a decision about whether to split your contributions it is recommended that you speak to a financial adviser to determine if it is an appropriate strategy for you.



Helping you to get on track

Plum offers a range of services that may be of benefit to you now and in the future.

Eligible Spouse Plan

Splitting your contributions with your spouse can be a tax-effective way for a couple to save for retirement. Your spouse's employer is also able to make contributions to their super fund. You can also consolidate or rollover funds through a spouse super arrangement within the *Plum Personal Plan* (a sub-plan of the Plum Superannuation Fund). Your spouse will have a choice of investments, as well as access to insurance. It may also be effective in reducing your spouse's annual fees, as the fees in the *Eligible Spouse Plan* are comparable to the fees in your current employer plan.

Making a contribution via BPAY®

You have the opportunity to use BPAY to make both voluntary after-tax contributions as well as receive contributions on behalf of your spouse. Further details on BPAY are available from our website at www.plum.com.au Alternatively, you can also contact a Plum Member Services Consultant on **1300 55 7586**.



Did you know...

As a member of the Plum Superannuation Fund you can access the services of financial advisers through *Momentum Financial Advice*. This service provides general advice over the phone – at no cost to you, in addition to personal face-to-face advice if you require more in-depth advice about your personal financial circumstances.

If you would like more information about *Momentum Financial Advice* or would like to access this service, contact a Plum Member Services Consultant on **1300 55 7586**.

Momentum Financial Advice is a service provided by GWM Adviser Services Limited (GWMAS) ABN 96 002 071 749 AFSL 230692 through an agreement with PFS Nominees Pty Ltd as trustee of the Plum Superannuation Fund. GWMAS, the Trustee and Plum Financial Services Limited are part of the National Australia Group of companies. GWMAS and the financial advisers may receive a commission when applications are lodged for certain financial products. Further information on commissions can be obtained from the financial adviser's *Financial Services Guide*. Neither Plum nor the Trustee endorses or guarantees any advice provided by GWMAS or any financial adviser referred through the *Momentum Financial Advice* services. The Trustee, through its administrator, Plum, merely facilitates members' access to these services and does not accept any liability for the services provided.

Contact us for more information

If you would like further information, visit the *Member* section of the Plum website:



www.plum.com.au or



or speak with a Plum Member Services Consultant on **1300 55 7586**.

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Important information

An interest in the Plum Superannuation Fund ABN 20 339 905 340 (Fund) is issued by PFS Nominees Pty Ltd ABN 16 082 026 480 AFSL 243357 (Trustee). The Fund administrator is Plum Financial Services Limited ABN 35 081 812 731 AFSL 243356 (Administrator). This material has been prepared by the Administrator and it contains information that is general in nature. The information does not take into account your objectives, financial situation or needs. Before acting on the information you should consider whether it is appropriate having regard to your personal circumstances and seek professional advice. The Administrator recommends that you consider the Fund's *Product Disclosure Statement (PDS)* before you make any decisions about your superannuation. To obtain a copy of the Fund's PDS, please contact a Plum Member Services Consultant on **1300 55 7586**. Neither the Administrator, the Trustee, nor any other company in the National Australia Group of companies accepts liability whatsoever for any decision that is made on the basis of or in reliance of the information contained in this material. Please note that the information contained in this material is current as at July 2009. Any changes in the law or policy subsequent to this date have not been incorporated.