



Contribution Splitting

What is contribution splitting?

The contribution splitting rules allow you to split certain concessional contributions with your spouse. This means you can both have super to draw on when you retire. It allows spouses who are not working or have a low income, to build up super within their own fund.

What are the benefits of contribution splitting?

The benefits include:

- helping a couple to equalise their super benefits to get the most out of their retirement
- taking advantage of two super lump sum low-rate caps (\$200,000 for the 2017-2018 financial year) if each person (i.e. of the couple) receives their super in the form of lump sum benefits between their preservation age and age 59.

How can you take advantage of a second super low-rate cap?

As mentioned above, super splitting can give you access to two low-rate caps. If your spouse has a relatively low super account balance and you would like to access your super benefits after your preservation age but before age 60, you could consider redirecting your contributions to your spouse. This will ensure you take advantage of a second low-rate cap on the taxable component on each of your accumulated superannuation funds.

If you and your spouse retire after your preservation age but before age 60 and receive your super as a lump sum benefit, the first \$200,000 (per person for the 2017-2018 financial year) of each of your taxable components¹ will be tax free (withdrawals above this figure are taxed at 15% plus Medicare Levy). Combined in this way you could potentially access \$400,000 tax free.

How does contribution splitting work?

Married couples, de facto partners and same sex couples who live together, may qualify to split superannuation contributions. They can be split with a spouse who is:

- under preservation age, regardless of whether they are working or not, or
- over preservation age and under age 65 and has not permanently retired from the workforce.

Contributions cannot be split with a spouse who is age 65 or over.

The maximum amount of contributions a Plum member can split with their spouse in any financial year is the lesser of:

- 85% of their concessional contributions for that financial year, and
- the concessional contributions cap for that financial year.

¹ Assuming this consists wholly of a 'taxed element'. The 'untaxed element' of the taxable component of a superannuation benefit is subject to different tax rules. These rules are complex. Please visit the ATO website at ato.gov.au for more information.

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What can be split?

The concessional (before-tax) contributions that can be split with your spouse include:

- contributions made by an employer in satisfaction of their Superannuation Guarantee obligations
- salary sacrifice contributions
- any additional employer contributions, and
- personal contributions that you are claiming as a tax deduction which are covered by a valid *Notice of intent to claim* form that you have given your super fund.

For more information on concessional contributions see the Concessional contributions fact sheet, available at plum.com.au or call us from anywhere in Australia on **1300 55 7586**, between 8am and 7pm AEST.

How does this affect our contributions caps?

The contributions that you split will still be counted towards your concessional contribution cap (and not your spouse's cap). In other words, a splitting arrangement will not reduce the amount of contributions that are counted towards your concessional contribution cap.

Contribution limits¹:

Contribution type	2016-2017 cap	2017-2018 cap
Concessional	\$30,000 (under 49 years of age) \$35,000 (49 years of age or over)	\$25,000
Non Concessional	\$180,000	\$100,000*

***Subject to your total superannuation balance being less than the general transfer balance cap of \$1.6 million (for the 2017/2018 financial year) on 30 June 2017. The quoted non-concessional contributions cap does not take into account any 'bring forward' arrangements you may have entered into, with respect to your non-concessional contributions.**

Who will own the contributions?

Once the contributions have been received by your spouse's superannuation fund they will belong to your spouse.

The split contribution will be classified as a taxable component in your spouse's superannuation fund. This means that tax may be payable on the split amount if it is

withdrawn by your spouse before age 60, or if it is paid to a non-dependent beneficiary on death.

Any split contributions are subject to the preservation rules therefore they cannot be accessed until your spouse satisfies a condition of release such as reaching preservation age and permanently retiring from the workforce.

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
From 1 July 1964	60

When can contributions be split?

You can apply to split any eligible 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. Please note that the contributions must be split before any super rollover, transfer or withdrawal is processed. Also, if you are planning on splitting personal contributions that you are claiming a tax deduction for, you will need to give us a *Notice of Intent to Claim* form before you submit your superannuation Contributions splitting application form.

You can only request to split your contributions once every financial year.

Is there any cost involved?

We will apply a buy-sell spread to contributions that have been split. If you split your contributions into your spouse's account which is outside the Fund, a contribution splitting fee and buy-sell spread may apply.

For further information please call us on **1300 55 7586**, between 8am and 7pm AEST (8pm daylight savings time), Monday to Friday.

¹ If your total superannuation balance on 30 June 2017 is:

- less than \$1.4 million, you may 'bring forward' three years' worth of non-concessional contributions (i.e. \$300,000) in the 2017/2018 financial year;
- \$1.4 million or more, but less than \$1.5 million, you may 'bring forward' two years' worth of non-concessional contributions (i.e. \$200,000) in the 2017/2018 financial year;
- \$1.5 million or more, but less than \$1.6 million, you may make non-concessional contributions up to the non-concessional contributions cap (i.e. \$100,000) in the 2017/2018 financial year; or
- \$1.6 million or more, you cannot make any non-concessional contributions in the 2017/2018 financial year. However, if you fall within this category, and make non-concessional contributions with respect to the 2017/2018 financial year, you may be liable for excess non-concessional contributions tax.

Contribution Splitting

Case study

Richard and Lucy, both aged 54, have the following personal details:

Richard, age 54 (born before 1 July 1964), is working full-time and is married to Lucy, also aged 54 (born before 1 July 1964), who is working part-time (between 10 and 29 hours per week). They both plan to permanently retire from the workforce and take part of their super as a cash lump sum in five years (i.e. before either of them reaches age 60). Richard and Lucy currently have \$400,000 and \$35,000 in their respective super funds, consisting entirely of taxable components (assuming both consist wholly of taxed elements).



By using the contribution splitting strategy, Richard and Lucy could save up to \$8,500 in lump sum tax as a couple.

The maximum amount that either Richard or Lucy can withdraw tax-free as a lump sum once they reach preservation age, but prior to turning age 60 is \$200,000 (low rate cap for 2017-2018) each. While Richard's super balance already exceeds the low-rate cap, Lucy currently has a balance of only \$35,000. To equalise their superannuation balances, and to take advantage of both of their low-rate caps, Richard arranges to split \$10,000 per annum of his employer contributions into Lucy's super account for the next five years, until she reaches age 59¹.

At the end of the five year period, Lucy's super benefit has significantly increased, and now includes \$50,000 of split contributions. Richard and Lucy decide to withdraw \$175,000 and \$85,000 respectively.

Splitting contributions into Lucy's account means that as a couple, Richard and Lucy have withdrawn a lump sum without paying any tax. If they withdraw a greater amount (i.e. over \$200,000) from Richard's super account, he would have to pay 17%² tax on any amount in excess of the low-rate cap.

	If received by Lucy	If retained by Richard and withdrawn prior to age 60
Split contributions	\$50,000	\$50,000 ³
Lump sum tax rate payable	Nil	17% ²
Lump sum tax payable	Nil	\$8,500

¹ Lucy is able to continue to receive split contributions after she reaches her preservation age (up to age 69), provided she continues to be employed for at least 40 hours over 30 consecutive days in the financial year in which the contribution is made.

² Includes a Medicare Levy of 2%.

³ This figure (i.e. \$50,000) has been withdrawn on top of the low-rate cap. That is, Richard has already withdrawn \$200,000 (i.e. exhausted his low-rate cap), and then withdrawn a further \$50,000.

Other information you should know:

- the low-rate cap is a lifetime limit, and will be reduced by any super lump sum benefits that you have previously withdrawn under the low-rate cap rules. However, as the low rate cap amount is subject to indexation, it will increase at the start of each income year (i.e. financial year) by the amount (if any) that the index amount for that income year exceeded the index amount for the previous income year
- once you split your contributions, your spouse cannot transfer the contributions back to you
- contribution splitting does not reduce your original contributions made for reporting and contribution caps purposes
- if you are leaving the fund, you can make a request to split your contributions, however, the contribution split must be finalised before the transfer request can be actioned, and
- not all superannuation funds offer contribution splitting and the funds that do offer the facility are likely to have their own rules and limits.

Contribution splitting

The following cannot be split with your spouse:

- non-concessional (after-tax) contributions
- any investment earnings on the contributions before they are split
- Government co-contributions
- amounts rolled over 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, and
- contributions made towards the defined benefit component of your superannuation benefit.

Where to from here?

In thinking about your next steps, you may want to consider:

- **If you would like to utilise two super low-rate caps**
It may be worth considering a super splitting strategy if you or your spouse is likely to have superannuation accounts with a taxable component above the low-rate cap (\$200,000 for the 2017-2018 financial year) and are looking to retire after reaching preservation age, but before age 60.
- **If your spouse is likely to retire before you**
If your spouse is older than you they may be able to satisfy a condition of release and access super benefits earlier. It may be worthwhile splitting your contributions if this is the case.
- **Obtaining a Contribution splitting request form**
This form can be obtained by contacting us on **1300 55 7586**.



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Contact us

For more information visit **plum.com.au** or call us from anywhere in Australia on **1300 55 7586** between 8am and 7pm AEST (8pm daylight savings time), Monday to Friday.

Postal address

Plum Super
GPO Box 63
Melbourne VIC 3001

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