Superannuation 101 (Part 4)

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In this part of the series, we will discuss Non-Concessional Contributions. These contributions enable you to grow your super balance quickly due to higher contribution limits compared to Concessional Contributions. However, these are often overlooked.

These are contributions to super that are from your tax paid monies i.e., there are no tax concessions available to you for these contributions on their way in. Hence the name – Non-Concessional Contributions.

There are limits applicable to these contributions, for the 2021-22 financial year the following Non-Concessional Contributions limits apply:

- $110,000 each year
- $330,000 in a year by bringing forward the contribution limits for the next 2 years (i.e., no further Non-Concessional Contributions can be made for the next 2 financial years)

The above limits may vary if your total superannuation balance exceeds $1.4 million or if you are over 67 years of age.

WHY NON-CONCESSIONAL CONTRIBUTIONS?

Whilst on the way in there are no tax benefits, Non-Concessional Contributions help boost your super balance – which is an attractive tax environment, with a tax rate of 15% in accumulation and 0% in the drawdown phase.

As these are tax-paid funds, they are added to the tax-free component within your super. In the event of the super funds passing on to your adult children as part of your estate, this portion is paid tax-free (taxable component taxed at 17%) and this can be a significant tax saving for your estate.

CONSIDERATIONS

The key consideration with all super contributions is the lack of accessibility until certain age and conditions of release are met. What this means of course is if you expect to use these monies prior to this, you should not be contributing to super or you should ensure you have an alternate source of funds available to meet your needs.

Non-Concessional Contributions can play a significant role in building a comprehensive plan for your retirement, but you need to be mindful of whether this is appropriate for you or not. You should speak with your Financial Adviser to discuss this further.
