Superannuation 101 (Part 5)

NIYATI KHANNA
CFP® Professional, CA, MBA [Finance & Strategy] representative of Alman Partners Pty Ltd, Australian Financial Services Licence No: 222107
AlmanPartners
True wealth

IN THIS final part of the Superannuation series, we will look at two other super contribution types that were made available in recent times due to legislation changes. These are - Carry Forward Unused Concessional Contributions and Downsizer Contributions.

Carry Forward Unused Concessional Contributions (CFUCC)

With effect from 1st July 2019, Carry Forward rules allow you to make extra Concessional Contributions above the Concessional cap (i.e., $25,000 or $27,500 from 2022FY). This is particularly helpful for the younger members of the workforce who may not be in a position from a cash flow point of view to contribute up to the cap, or for clients that may have been focused on saving for a home deposit or paying down loans.

As such, the rule allows you to utilise the unused cap for the prior years and make Concessional Contributions and be able to claim a tax benefit for this.

There are a few conditions:

The total super balance as of 30th June of the previous financial year should not exceed $500,000.

Your Concessional Contribution for the year must exceed the cap. For example, John has a total superannuation balance of $350,000.

He made the following Concessional Contributions; he will be able to make a Concessional Contribution of up to $55,500 in the 2021/22 Financial Year:

Concessional Cap

2018/19 $24,000
2019/20 $18,000
2020/21 $5,000
2021/22 Up to $55,500 (including current year cap of $27,500)

C/F available

2018/19 $1,000
2019/20 $7,000
2020/21 $20,000
2021/22 Up to $55,500 (including current year cap of $27,500)

Any unused Concessional Cap can be carried forward only for a period of 5 years and lapses thereafter. Normal rules apply for accessing these funds within super.

You are able to view the carry forward Concessional Cap available to you by using the ATO online services through myGov.

Downsizer Contributions

Recognising that often a fair portion of a retirees' wealth is tied up in their residence, the Government introduced the Downsizer provisions which allow for people 65 years or older to contribute up to $300,000 each to their super as their Downsizer Contribution. This is subject to the following conditions:

- You or your spouse should have owned the house (your main residence) for at least 10 years, and it should not be a caravan or other mobile home.
- The funds must be contributed to the super fund within 90 days of receiving the proceeds.
- You can only make this contribution once in your lifetime.

The Downsizer is a useful provision to enable retirees to unlock their wealth residing in their homes and can prove to be useful to ensure self-funding for their retirement.

Please note, that the funds once contributed to super will be assessed for Centrelink purposes and may impact any allowances/ payments that you may be eligible for. Please ensure you assess the appropriateness of all strategies before implementing anything by consulting your financial adviser.