

Super strategies

Boost your spouse's super and reduce your tax

Making an after-tax contribution into your spouse's super could benefit you both – by increasing your spouse's super and potentially reducing your tax.

How does the strategy work?

If you make an after-tax contribution into your spouse's super account and they earn less than \$40,000 pa, you may be eligible for a tax offset of up to \$540.

This strategy could be a great way to grow your super as a couple. Not only could you boost your spouse's super, the tax offset could help reduce your income tax.

To qualify for the full offset of \$540 in 2019/20, you need to contribute \$3,000 or more into your spouse's super and your spouse must earn¹ \$37,000 pa or less.

A lower tax offset may be available if you contribute less than \$3,000 or your spouse earns more than \$37,000 pa but less than \$40,000 pa.

Can you make spouse contributions?

To be able to make a spouse contribution, you must be either legally married or in a de facto relationship.

You need to be living together on a permanent basis. If you are a married couple living separately, you won't qualify.

You and your spouse/partner must be Australian residents at the time the contribution is made.

Other key considerations

- To use this strategy, the spouse who receives the contribution must:
 - be under age 65, or meet a 'work test' or work test exemption, if between age 65 and 69;
 - have a 'total super balance' of less than \$1.6 million on 30 June of the previous financial year, and
 - not exceed their 'non-concessional contribution cap', which in 2019/20 is generally \$100,000, or up to \$300,000 in certain circumstances.
- Super can't be accessed until you meet a 'condition of release'. For more information, please visit the ATO website at ato.gov.au.
- There are some other super strategies that may benefit you as a couple (see back page).

Seek advice

Your financial adviser can help you determine whether spouse contributions suit your needs and circumstances.

¹ Includes assessable income, reportable fringe benefits and reportable employer super contributions.

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Case study

Phil and Karen are married and have two young children. Phil works full-time and earns \$100,000 pa.

Karen has cut back to working two days a week and earns \$32,000 pa.

They want to make sure Karen keeps building her super while she is working part-time. Previously, when she was working five days a week, the super contributions from her employer were higher.

Phil contributes \$3,000 into Karen's super account. This entitles him to a tax offset of \$540, which will reduce his income tax when he completes his 2019/20 tax return.

Other strategy ideas

There are other strategies you may consider if you want to boost your spouse's super. These include:

Co-contributions

Your spouse may want to make an after-tax contribution into their own super account. By doing this, the Government may add up to \$500 to their super. It's called a 'co-contribution'.

To be eligible for the full co-contribution in 2019/20, your spouse needs to contribute \$1,000 or more into their super and earn² \$38,564, or less.

They may receive a lower amount if they contribute less than \$1,000 and/or earn between \$38,564, and \$53,564.

Contribution splitting

Another strategy to consider is 'contribution splitting'.

This is where you arrange with your super fund to split up to 85% of your previous financial year's concessional contributions into your spouse's super account.

Concessional contributions include superannuation guarantee, salary sacrifice and personal deductible contributions, as well as certain other amounts.

You must meet other eligibility criteria to qualify for the Government co-contribution or contribution splitting.

Your financial adviser can help you determine whether either of these strategies suit your needs and circumstances.

² Includes assessable income, reportable fringe benefits and reportable employer super contributions.

Important information and disclaimer

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