BWR Accountants & Advisers

Superannuation Newsletter June 2015

Special points of Interest:

- Top 5 end of year requirements
- Superannuation Contribution Limits
- Calculation of minimum account based pension payments
- Items your investment strategy should consider
- How much do you need to retire
- Beware excess contributions tax
- The Penalty Regime

Top 5 end of financial year requirements

The end of the financial year is fast approaching and now is the time to get your self managed super fund's (SMSF) records in order. The top 5 requirements to do before June 30 are:

1. Contributions into your SMSF, if you intend to make a contribution into your SMSF, please ensure the contributions are received by your SMSF on or before 30 June 2015 in order for it to be counted in the 2014/2015 financial year. If you are making contributions by electronic funds transfer (EFT) please allow sufficient time for the contribution to be credited into your SMSF's bank account. Details of the contribution limits are listed below.

2. Investment strategy, review your investment strategy to ensure it continues to reflect the purpose and circumstances of your fund and its members. A review should happen at least annually. Please refer over for a list of items you need to consider when preparing your investment strategy.

3. Pensions, if you are in pension phase please ensure you have withdrawn funds between your minimum and maximum amounts as it is a requirement of the SIS legislation, otherwise severe tax penalties may result for your fund and yourself. For tax purposes the ATO regards a pension as a series of payments therefore we recommend your annual pension should be paid as a minimum in two payments.

4. Property and rental income valuation/appraisal, it is an ATO requirement that **all assets** including property held in a SMSF be revalued to market value each year. This can be achieved by organising a market valuation or appraisal. Reference to the rental income received should also be detailed to confirm the rent received is at a commercial arm's length rate.

5. Lease agreements, if applicable please check your lease agreement is still current. If it has expired and there is an option to renew the lease agreement, you need to provide a minute/letter stating that the option to renew has been taken up. If there's no option to renew, a new lease agreement will be required.

Superannuation Contribution Limits

Concessional (taxable) contribution limits	2014/15
Under the age of 50 years	$30,000
Turning 50 or over in 2014/15	$35,000
Between the ages of 65 to 74 years—however the work test must first be met (see below)	$35,000

Concessional (taxable) contribution limits	2015/16
Under the age of 50 years	$30,000
Turning 50 or over in 2015/16	$35,000
Between the ages of 65 to 74 years—however the work test must first be met (see below)	$35,000

Concessional contributions include amounts made as salary sacrifice, Superannuation Guarantee or other personal deductible contributions.

For members older than 65, you will need to first meet the **work test** to contribute personally to super in most cases. You will need to work for at least 40 hours during 30 consecutive days at any time during the financial year prior to making tax deductible and non deductible contributions to super.

If you are over 75 years you can not make personal contributions.

Non Concessional (after tax) contributions

The maximum personal after tax contribution is $180,000, however if you are under 65 you can contribute up to $540,000 over a 3 year period utilising the bring forward rule. If the bring forward rule has been triggered prior to 1 July 2014, the maximum non-concessional contributions a person can contribute is limited to $450,000 (i.e. pre 2014/2015 non-concessional contribution cap) over the three (3) consecutive years.

Calculation of minimum account based pension payments

If you are accessing an account based pension from your SMSF, you need to make sure that the minimum amount required to be paid under the superannuation law is paid from your SMSF by 30 June in order for your SMSF to receive a tax exemption. The minimum amount is calculated based on your age and the percentage factor applied to the value of your pension member account balance. For existing pensions this is calculated on 1 July each year and for new pensions the commencement date of your pension. Refer to the table below for your percentage value.

Age	Percentage factor
Under 65	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 94	11%
95 or more	14%

There is no maximum pension limit unless you are accessing your pension as a "Transition to Retirement Income Stream" (TRIS). If you are receiving a TRIS Pension the maximum amount you can withdraw/receive from your SMSF is ten per cent (10%) of your pension member account balance.

Items your investment strategy should consider:

The ATO requires every fund to have an investment strategy. This sets out your fund's investment objectives and how you plan to achieve them. It takes into account the personal circumstances of all the fund members, including their age and risk tolerance. It should be in writing so you can show your investment decisions comply with the strategy and the super laws.

In preparing or reviewing your investment strategy you should consider:

- Diversification—investing in a range of assets and asset classes
- The risk and likely return from investments, to maximise member returns
- The liquidity of the fund's assets—how easily they can be converted to cash to meet fund expenses and pension payments
- The members' needs and circumstances. For example, their age and retirement needs
- Whether the trustees of the fund should hold insurance cover for the members of the fund

How much do you need to retire

According to the Association of Superannuation Funds (ASFA) Retirement Standard, the annual budget—as at December 2014 needed by Australians to fund a modest lifestyle for a single person in retirement is $23,438 per annum and $33,799 per annum for a couple. To have a comfortable lifestyle this increases to $42,569 for a single and $58,444 for a couple.

As an example, for a **single** person to live a modest lifestyle for 25 years in retirement, your super balance at retirement would need to be approximately $485,000 and to live a comfortable lifestyle it would need to be approximately $880,000. For a **couple** the combined super balances at retirement would need to be approximately $700,000 for a modest lifestyle and $1,210,000 for a comfortable lifestyle.

It's never to early to start planning.

building futures

bwr ACCOUNTANTS ADVISERS

36 Templar Street Forbes
NSW 2871
p: 02 6852 1855
f: 02 6852 4198

136 Clarinda Street Parkes
NSW 2870
p: 02 6862 1444
f: 02 6862 1990
e: info@bwraccountants.com.au

Beware excess contributions tax

Trustees making large superannuation contributions should exercise extreme caution for any type of contributions to avoid excess contributions penalties. This can apply to any tax deductible and non tax deductible contributions made to super. The maximum amount of tax payable can be up to the maximum tax rate of 47% plus additional penalties.

The Penalty Regime

The ATO introduced a penalty regime which has given them greater power when dealing with SMSF trustees who breach the superannuation law. The Penalty Regime has been in place since 1 July 2014. As announced in the budget, effective from 31 July 2015 the penalty units will increase. This is another good reason to take an interest in the superannuation law and avoid making mistakes as non-compliance is costly.