Splitting superannuation contributions

Splitting superannuation contributions to your spouse helps to increase retirement savings in your spouse's name. This can help with future planning and also protect against future legislative changes. In some cases this may also help to increase current Centrelink/Veterans' Affairs entitlements.

Benefits

- Your spouse's retirement benefits will increase. This may be particularly beneficial from 1 July 2017 when the limit for each person's retirement income stream balances will be $1.6million.
- You may have opportunity to access retirement savings earlier if your spouse will meet a condition of release sooner than you.
- Centrelink entitlements may increase if the spouse is under age 65 (or under age 60 if a veteran) due to exemptions on the assessment of superannuation.
- The increased account balance can help your spouse cover the cost of insurance premiums if his or her insurance is held inside superannuation.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at marginal tax rates. This helps savings to grow faster.

How it works

Super splitting allows you to split (transfer) your previous year's concessional contributions to your spouse. It is not compulsory for a super fund to offer super splitting, so you will need to check with your fund whether they will allow you to split your contributions.

Only concessional contributions can be split to your spouse – these include superannuation guarantee (SG), salary sacrifice and personal deductible contributions. Non-concessional contributions cannot be split. The maximum amount that can be split is the lesser of:

- 85% of your concessional contributions for the year (15% is retained to pay contributions tax)
- the concessional contribution cap for the financial year.

The money must remain preserved for your spouse. This means your spouse must be either under age 65 or, if between their preservation age and age 65, must be able to declare that they have not permanently retired from the workforce.

Your request to split contributions must be made in writing to the trustee of the super fund within 12 months after the end of the financial year that the concessional contributions were made. Upon receiving your application, the super fund trustee has 90 days to process your request. You can only make one request per year.

The split contributions form part of the taxable component of your spouse's superannuation account. The amounts will not count towards your spouse's contribution caps because they have already counted towards your concessional contribution cap.

Consequences

- If you have made personal contributions for which you wish to claim a tax deduction, you must lodge a notice of deductibility form with your superannuation fund (and wait for confirmation that they have received the notice) before splitting the contribution.
- If you are planning to roll over your superannuation savings (to a new fund or to commence an income stream) during the year that contributions have been made, you must lodge your splitting application before rolling your money out of the account.
- Split contributions will be preserved until your spouse meets a condition of release.
- From 1 July 2017 the total amount of super monies used to start pensions will be capped at $1.6 million. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged on the transfer into your spouse's superannuation account. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

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