

Contribution splitting with your spouse

Contribution splitting describes where you can divert some of your contributions to your spouse's superannuation account. It was introduced as a way to make sure couples stayed under the now defunct Reasonable Benefits Limit. It is now a nice way to share some of your super with your spouse, who may not be working.

Each super fund has their own rules regarding contribution splitting, so it pays to ensure they accept contribution splitting before you join. However, there are some restrictions:

What we do know

- Splitting of contributions during a financial year can only occur after the end of the same financial year
- A maximum amount 85% of taxable contributions such as employer contributions, salary sacrifice and concessional contributions can be split.
- A maximum amount of 100% of non-concessional contributions received prior to 5 April 2007 can be split – including Government co-contributions and spouse contributions. Non-Concessional Contributions received on or after 6 April 2007 cannot be split.
- If you roll all your funds over to another fund you will have the option of splitting the current year's contributions up to the time of the rollover.
- Splitting cannot happen if the receiving spouse has previously met a "condition of release" of their own superannuation fund such as reaching age 65 or being retired after meeting their preservation age (in your spouses' case this is 55).
- If you want to claim a tax deduction for personal contributions made and also split all or part of these contributions then you must lodge your notice to claim the deduction with your super fund before you lodge the contributions splitting contribution.
- A younger spouse can split their super contributions into the fund of an older spouse who is closer to their preservation age. This results in earlier access to their super via their spouse's fund.

Advantages

- Splitting of contributions can let you and your spouse reduce the tax that may be payable on your retirement if you take super as a lump sum or even on the income that you generate from your superannuation in retirement.
- It can help a spouse who has not been able to accumulate much money in superannuation to build their balance before retirement.
- It lets you take advantage of two personal tax-free thresholds in retirement so that more of your income can come to you tax-free.

Disadvantages

- Saving for your retirement through superannuation can be very effective. However, contributions split to your eligible spouse are generally not accessible until your spouse reaches their preservation age or older (which will be between age 55 and age 60 depending on when you were born) and permanently retire from the workforce. Therefore, you need to think about whether or not you will need this money before your spouse reaches their preservation age.
- It is not compulsory for a fund to offer splitting of contributions between spouses. The fund that you are with when the contributions are made may not offer the service, so you may not be able to split contributions.
- A fee may be charged to cover the cost of the administration of splitting.

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Any questions? Call 1800 046 166 or visit: www.moneysolutions.com.au