FUNDAMENTALLY SPEAKING

A simple explanation of the finance terms we all hear about but don't really understand

Share the love with spouse to maximise your balances

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With the new financial year just a few days away, one strategy being spoken about in financial planning offices across Perth is super contribution splitting.

It enables you to split up to 85 per cent of your concessional contributions to an eligible spouse. Remember, concessional contributions include the 9.5 per cent your employer makes, salary sacrifice and tax-deductible contributions. The reason only 85 per cent of the contribution can be split is that the 15 per cent contributions tax will be deducted before a split is made.

The contribution split occurs in the financial year after the initial concessional contribution. This means any concessional contributions made in the current financial year will be able to be split once we hit July 1.

But a word of warning. If you want to split personal contributions that you intend to claim a tax deduction for, you must give your super fund a "notice of intent to claim a deduction for personal super contributions" form before you start the splitting strategy. Your spouse must also meet some age-based eligibly criteria, one of which is that they must not have reached 65.

Super splitting is used for a number of strategic reasons. One is to ensure that both spouses maximise their \$1.6 million transfer balance cap, as this limit is per person and couples can't pool their limits together.

The name of the game is to make sure that you and your partner have roughly the same-size super balances. There's certainly no point one spouse having more than \$1.6m and the other having much less. But this imbalance is common, as often one partner takes time out of the workforce to look after children.

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Illustration: Don Lindsay