

DVD Update: Unlock Your Super

Released Tuesday, 21 November 2006

Earlier this year the federal budget made several significant changes to Superannuation. While the book, *How to Control Your Super Now* includes these changes, we wish to make them broadly known to all purchasers of the *Unlock Your Super DVD* set.

1. Reasonable Benefit Limit

Prior to the 2006 Federal Budget¹, superannuation was also taxed at retirement. If taking out a lump sum, you could take out \$129,751 tax free and then you paid 15% tax up to \$648,946 (for the financial year 2005-2006). Any lump sum amount above that amount was taxed at either 39.5% or 48.5%. This was called the *Reasonable Benefit Limit (RBL)*.

The RBL was abolished in the 2006 Budget; however, additional provisions were made: You are now no longer able to make an unlimited undeducted contribution². For example, prior to 2006 an individual could contribute all of their investment properties to their SMSF and by structuring it in such a way, receive the rental income as a tax free pension. Now there is a limitation on the amount an individual can contribute in any given year. So while they have opened up the door for taking money out of super, they have closed it somewhat on contributing into it.

The maximum amount that can be put into your super as a deducted contribution is \$50,000 per year (as of July 2007). Undeducted contributions are restricted to \$150,000 per year (from July 2006). You can make undeducted contributions in one lump sum which is then averaged over a 3 year period to fall within the limits. For example \$450,000 worth of assets can be contributed to your SMSF in one year. But you will have used up the 3 years worth of undeducted contribution limits (3 x \$150,000 = \$450,000).

2. SMSF Joint Venture

With regards to the section explaining the Joint Venture arrangement with a SMSF (Disc 2, Chapter 1), our tax solicitors and creators of the JV arrangement have provided the following points for clarification.

- a. On page 53 of the transcript, third paragraph, ninth line, it should be the unit trust that buys the property not the joint venture. Following on from that, the super fund will be entitled to a percentage of the gross return.
- b. On page 54 of the transcript, third paragraph, sixth line, the reference to "net rent" should be to "gross returns".

1. Federal Budget: A document that outlines the Australian Government's planned financial performance and the framework it intends to conduct its operations in, in the following financial year. It can often make changes to current legislation or introduce new legislation.

2. Undeducted contribution: The contributions paid to a super fund by an employer can be claimed as a tax deduction. Also an individual may contribute extra and receive a tax benefit personally. These are known as deducted contributions. There is a limit to the deducted contributions a person can make in a single year. However, an individual can contribute more to their super and not receive a tax benefit: This is called an undeducted contribution. It can be in the form of money or assets. In the 2006 Federal Budget the Australian Government also put restrictions on undeducted contributions a person can make in one year.

Disclaimer

The material in this publication is of a general nature, and neither purports nor intends to be advice. Readers should not act on the basis of any matter in this publication without taking professional advice from a licensed Financial Planner, with due regard to their own particular circumstances. The authors and publisher expressly disclaim all and any liability to any person, whether a purchaser of this publication or not, in respect of anything and of the consequences of anything done or omitted to be done by any such person in reliance, whether whole or partial, upon the whole or any part of the contents of this publication.

While every care has been taken to provide readers with the most up to date information at time of publication please be advised that neither the authors nor The Knowledge Centre its, directors, office holders, staff, franchisees, joint-venture partners or representatives are able to guarantee that the information contain in this publication is true and correct. Due to the fact that the law is constantly changing readers are advised to consult a licensed tax agent or solicitor before embarking on any of the information contained in this publication.