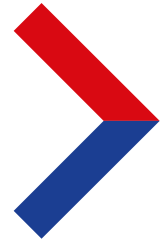
Colonial First State

Contributing to your super



For many people, super is one of the best ways to grow your wealth, as it provides tax benefits to help you save for retirement. With life expectancies increasing and the prospect of more time spent in retirement, a healthy super balance will help you enjoy a full and vibrant life when you stop working.

What kinds of contributions are there?

There are two main types of super contributions: concessional (before-tax) and non-concessional (after-tax). Both are subject to caps which limit the amount you can contribute each financial year.

The type of contribution that is right for you will depend on your individual situation. Your financial adviser can work with you to create a super strategy to help you minimise tax and grow your nest egg.

Before-tax: Concessional contributions

Concessional contributions can be a tax effective way to boost your super savings. They include the super paid by your employer, salary sacrifice amounts and personal contributions where you claim a tax deduction.

Yearly cap: $30,000

After-tax: Non-concessional contributions

Non-concessional contributions are made from after-tax income (where you haven't claimed them as a tax deduction). They do allow you to move money into the tax effective super environment and may entitle you to benefits such as the government co-contribution.

Yearly cap: $120,000

Making extra contributions to your super can be a tax-effective way to reach your retirement goals.

What is a concessional contribution?

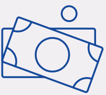
Often referred to as before-tax contributions, concessional contributions can be tax effective as they are generally taxed at just 15% in your super fund, rather than your marginal tax rate.

If the 15% tax rate in super is less than your marginal tax rate, concessional contributions may result in a significant tax saving.

Concessional contributions include:

Superannuation guarantee

Salary sacrifice



Personal deductible contributions

Salary sacrifice

Most employees receive super guarantee (SG) contributions from their employer of at least 11.5% of their salary.[1]

Adding to these contributions directly from your gross (before-tax) salary can be an easy and tax-effective way to top up your super. This is called salary sacrifice.

Some of the benefits of salary sacrifice are:

- It's simple, automatic and consistent.
- You don't pay income tax on salary sacrifice contributions to super, and your super contributions are only taxed up to a maximum of 15% in the super fund, which may represent a significant tax saving.[2]

The difference in taxation may mean more money is available to invest in super than if you were to receive the money as after-tax income and then invest it.

Future earnings on contributions made to super are taxed at a maximum of 15%, whereas any earnings on investments outside of super may be taxed at a higher rate, depending on your taxable income.

Not all employers offer salary sacrifice arrangements, so check to see if they are available and keep in mind that salary sacrifice contributions are limited by the concessional contributions cap.

case study

See how salary sacrifice can be a tax-effective way to save

Kate earns $70,000 p.a. and pays tax at 32% including Medicare levy.

Kate decides to boost her super by salary sacrificing $50 per week of her before-tax income. If she received this as salary she would have been left with $34 after tax. However, as her salary sacrifice contributions will only be subject to 15% contributions tax, Kate's net super contribution will be $42.50 each week. This results in almost an extra $9 per week to invest for her retirement.

In addition, any investment earnings in super will be taxed at 15% instead of Kate's higher income tax rate, if she invested the money outside super instead.

$34.00

a week out of her take-home pay

$42.50

invested into her super

Personal tax-deductible contributions

If you choose to make a personal contribution to super from after-tax money (income that has already been taxed, such as your take-home pay), you can generally claim a full tax deduction for this amount.

Making personal tax-deductible contributions may prove timely if you have made a considerable capital gain from the sale of a property or shares, as your deductible contribution to your super fund may help to offset the tax payable on your assessable capital gain. Not only could you boost your super balance for retirement, it could reduce your marginal tax rate.

Personal tax-deductible contributions can also be a flexible way of maximising your concessional contributions near the end of a financial year. The amount you can contribute is limited by the concessional contributions cap.

Note, for this strategy to be effective, you need to have sufficient taxable income to offset with the personal tax-deductible contribution. You should also keep your tax-free threshold in mind, taking into account any tax offsets you may be eligible for. Plus, you'll need to submit a valid deduction notice to your super fund within strict timeframes, and have it acknowledged by your fund in writing. Talk to your financial adviser about the best way to implement this strategy for your situation.

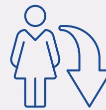
Concessional contribution limits

The basic cap on concessional contributions is $30,000 per financial year.[3]

However, if you haven't used all of the basic cap in previous financial years, you may be able to 'carry forward' the unused amounts for up to 5 years and make a larger concessional contribution.[4]

This will help you to invest more money in a concessionally taxed environment, and could help you reduce your taxable income if it is higher in a particular financial year.

You can check the amount of unused concessional cap amounts that are available to carry forward by checking your MyGov account.



To be eligible, your total super balance must be below $500,000 on 30 June of the previous financial year.[5]

case study

How Damien saved around $6,545 in tax

Damien works fulltime and earns $100,000 p.a.

Damien's concessional cap is $30,000, with $18,500 remaining after allowing for the superannuation guarantee.

If Damien wanted to make a concessional contribution exceeding $18,500, he could carry forward unused cap amounts from previous financial years.[6]

Assume Damien is able to carry forward $20,000 from previous financial years which allows him to make a concessional contribution of $38,500 in 2024-25.

Rather than paying tax at his marginal tax rate of 32%[7] on the concessional contribution, it is taxed at a maximum of 15% in the super fund, resulting in a tax saving of at least $6,545.

$18,500
2024-25 cap balance

+

$20,000
carried forward

=

$38,500
before-tax contribution

+$6,545
tax saving

What is a non-concessional contribution?

A non-concessional contribution is a contribution to super that is made from after-tax income and has not been claimed as a tax deduction.

The most common non-concessional contributions are:

- Personal after-tax contributions
- Spouse contributions

Non-concessional contributions allow you to move money into the tax effective super environment.

In addition, you may also be eligible for a government co-contribution or, if making a non-concessional contribution for your spouse, the spouse contribution tax offset.

Unlike concessional contributions, non-concessional contributions are not subject to contributions tax of up to 15% in the super fund.

Are there limits on non-concessional contributions?

The basic cap for non-concessional contributions is $120,000 per financial year.[8]

However you may be able to make additional contributions by utilising the 'bring forward rule', which allows you to contribute up to $360,000 over a three-year period.

From 1 July 2022, the rules changed to allow you to make non-concessional contributions under the bring forward rule if you are under age 75 during the financial year (previously you had to be under age 67). This is a great opportunity that allows people aged between 67 and 75 to contribute more to super and save for retirement.

Note:

Your non-concessional cap reduces to nil once your total super balance[9] is $1.9 million or more.

The cap you have available under the bring forward rule will reduce once your total super balance is $1.66 million or more.

Your total super balance is measured at 30 June prior to the start of the financial year.

How Jane topped up her pension fund

case study

Jane is age 66 and retiring from the workforce. She has funds in a bank account that she would like to contribute to super to start a retirement pension.

As Jane is under age 75 in 2024–25 and has a total super balance on 30 June 2024 below $1.66 million, she is able to use the bring forward rule.

Jane contributes $360,000 to super as a non-concessional contribution. She then commences a pension to fund her living expenses in retirement.

3 × $120,000

Jane makes 3-years worth of non-concessional contributions in one year

$360,000

Total contribution made in 2024-25

Are there age limits on making super contributions?

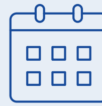
Both concessional and non-concessional contributions can be made to super if you are under age 75[10] at the time of the contribution.

If you are aged between 67 and 74[10] at the time of the contribution, and you intend to claim a tax deduction for your super contribution, you need to meet a work test or work test exemption.

To meet the work test, you need to be gainfully employed for at least 40 hours over 30 consecutive days in the financial year.

If you do not meet the work test, you may be eligible to claim a tax deduction if you meet the work test exemption. This exemption applies if you met the work test in 2023-24 and had a total super balance of less than $300,000 at 30 June 2024.[11]

You generally can't contribute to super once you turn 75. The only exceptions are compulsory contributions made by your employer or a special type of contribution called a 'downsizer contribution' when you sell your home.



New rules

You no longer need to meet a work test or work test exemption to make non-concessional or salary sacrifice contributions if you are aged between 67 and 74.

However you will still need to meet the work test or work test exemption to claim a deduction for your personal contributions between age 67 and 74.

How your financial adviser can help

- Recommend the right amount of concessional or non-concessional contributions
- Determine whether making a personal deductible or salary sacrifice contribution will be tax effective in your situation
- Discuss access to benefits such as the government co-contribution.

1 The SG rate is 11.5% until end of financial year 2024-25. It will then increase to 12% on 1 July 2025.

2 For high income earners, an additional 15% tax may be payable where a member's income for a financial year exceeds $250,000. For low income earners, contributions tax up to $500 may be refunded if you earn less than $37,000.

3 Concessional cap is indexed by AWOTE in increments of $2,500.

4 You can carry forward unused concessional cap amounts from the 2018–19 financial year.

5 Total super balance is generally the total value of your super accumulation and pension accounts.

6 Assumes Damien's total super balance at 30 June 2024 is less than $500,000.

7 Including Medicare Levy of 2%.

8 The non-concessional contribution cap is calculated at 4 times the concessional contribution cap and therefore increases in line with indexation of the concessional contribution cap.

9 Total super balance is broadly the total of all your superannuation accounts, whether in the accumulation or pension phase.

10 The contribution must be made on or before the day that is 28 days after the end of the month in which you turn 75.

11 In addition, you must not have already used the work test exemption in a previous financial year.

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