Superannuation

Splitting superannuation contributions

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

How it works

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

Only eligible 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), or
- The concessional contribution cap for the financial year.

To be eligible to receive a contributions split, your spouse must be either under their 'preservation age', if between their preservation age and 65, and they must be able to declare that they have not retired (as defined for superannuation purposes). Your preservation age is determined based on your date of birth, and ranges from age 55 to age 60.

Your request to split contributions must be made in writing to the trustee of the superannuation fund within 12 months after the end of the financial year that the concessional contributions were made. You can only make one request per year. However, if you are intending to rollover or withdraw your entire benefit (including in the same year that you've made the concessional contributions that you wish to split), the request must be completed prior to the rollover or withdrawal request being processed.

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, but will continue to count towards your concessional cap in the year the contributions were made to your account.

Benefits

The benefits of splitting superannuation contributions may include:

- Helping to increase your spouse's retirement benefits will increase. This may be particularly beneficial as the limit for each person's retirement income stream balances will be subject to a lifetime transfer balance cap ($1.6 million for the 2020/21 financial year).
- May help to maximize your Centrelink/DVA entitlements may increase if the spouse is under Age Pension age (or under age 60 if a veteran) due to exemptions on the assessment of superannuation accumulation accounts.

- The increased account balance may help your spouse cover the cost of insurance premiums if his or her insurance is held inside superannuation.
- The after-tax rate of return inside superannuation may be higher 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.

Risks and Consequences

- If you have made personal contributions for which you wish to claim a tax deduction, you must lodge a Notice of Intent form with your superannuation fund (and wait for confirmation that they have received the notice) before submitting a valid splitting application form.
- 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 (i.e. cannot be accessed) until your spouse meets a condition of release, such as retirement after your spouse reaches their preservation age.
- The total amount of superannuation monies used to start retirement phase pensions are subject to a lifetime transfer balance cap. The cap for 2020/21 is $1.6 million. You can retain excess amounts in your accumulation accounts where tax at up to 15% continues to apply.
- You will lose control of the portion of money that is transferred to your spouse.
- 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) foryour superannuation fund.
- The Government may change superannuation legislation in the future.

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