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Time to consider super splitting strategies

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Advisers and accountants should be raising the possibility of implementing superannuation contribution splitting strategies immediately in light of the proposed changes to the retirement savings system incorporating member balance thresholds, a technical expert has said.

"I would definitely be revisiting super splitting. It's been around for a long time, but not many people take advantage of it," IOOF technical services national manager Kate Anderson told the Chartered Accountants Australia New Zealand 2016 National SMSF Conference in Melbourne.

"So super splitting to even out account balances between husband and wife, not only with regard to the non-concessional cap but also the new $1.6 million pension cap.

"So put super splitting [back on the agenda and] have that conversation with your clients again to even up balances and also to protect against possible legislative change as well going forward."

Anderson clarified the rules allowing individuals to split 85 per cent of their concessional contributions with their husband or wife from 1 July 2017 and beyond.

In regard to concessional contributions, she also recommended advisers and accountants revisit concessional contribution strategies over the next eight months.

"Definitely I'd be talking about clients maximising salary sacrifice contributions for this financial year to take advantage of current concession contributions caps – $30,000 or $35,000," she said.

However, she warned it was crucial for individuals, usually self-employed or business owners, using a double deduction strategy, where a contributions reserve was used to claim two tax deductions in the one year, to make sure they were only putting $25,000 into their fund twice.

"So [that's] $50,000. Please don't use the current concessional caps of $30,000 or $35,000 because they will obviously end up with an excess concessional contribution problem," she noted.

"So take advantage of current concessional caps while you can this year."

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