

Sunday April 24th, 2010

Don't overdo it with your super this financial year: AIST

The Australian Institute of Superannuation Trustees (AIST) today urged people making extra contributions into their super fund to check with their pay officer or accountant to ensure they were not in danger of breaching their concessional cap limit in the current financial year.

AIST CEO Fiona Reynolds said harsh tax penalties applied to those who breached their cap limits and some people might need to reduce their super contributions ahead of the end of the financial year.

Ms Reynolds said the risk of exceeding the concessional cap had grown since the concessional caps were halved from July 2009 as many people were unaware or confused about changes to cap limits.

"It's been estimated that more than 100,000 Australians – many of them unsuspecting – have breached their cap limits since 2007. While there is no doubting the benefit of topping up your super to ensure a better retirement outcome, there is also no doubting that breaching your cap limit can be an expensive mistake".

Ms Reynolds said employees also needed to be mindful that their employer's compulsory Super Guarantee SG contribution (which for at least 25% of workers was higher than the mandatory 9%) was counted as part of their concessional cap limit.

Super contributions can be divided into two types – concessional (before-tax) and non-concessional (after tax). From 2009/2010 the contributions cap for concessional super contributions was halved to \$25,000 for under-50s and \$50,000* for over-50s (*The Government has announced that from July 2012, the upper \$50,000 limit will apply only to those over-50 with super balances under \$500,000).

Ms Reynolds said AIST was urging the Government to provide greater flexibility in the coming Federal Budget for those who make voluntary concessional contributions to superannuation.

One of its recommendations is that the so-called 'bring forward' rule that currently applies to 'non-concessional' caps should be similarly applied to 'concessional' caps – effectively providing individuals with either a \$150,000 three-year concessional cap (for qualifying individuals in the Over-50s age group) or a \$75,000 three-cap for everybody else.

"This measure has the dual benefit of providing more flexibility around the caps whilst also protecting people who may inadvertently breach their cap in any one year and would otherwise face a stiff penalty," said Ms Reynolds. "It brings simplicity and makes the rules consistent across concessional and non-concessional contributions".

Further media enquiries: **AIST CEO Fiona Reynolds: 0408 336 116 or AIST media manager Janet de Silva 0448 000 499.**

AIST is the peak industry body for the \$450 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly two-thirds of the Australian workforce.