Superannuation rates and thresholds for 2015/16

Contributions caps unchanged
The general concessional contributions cap is $30,000 for 2015/16 (unchanged from 2014/15).

The higher temporary concessional cap of $35,000 (not indexed) applies for those aged 49 years or over on 30 June.

The non-concessional contributions cap is $180,000 for 2015/16 (unchanged from 2014/15). This means that the non-concessional cap under the 'bring-forward' rule over 3 years is also unchanged at $540,000.

The CGT cap amount for non-concessional contributions is $1.395m for 2015/16 (up from $1.355m for 2014/15).

Super Guarantee - maximum contribution base
While the minimum level of employer superannuation guarantee support has been frozen at 9.5% from 2014/15 until 2020/21, the "maximum contribution base" has been increased to $50,810 per quarter for 2015/16 (up from $49,430 for 2014/15). This quarterly maximum contribution base represents a per annum equivalent of $203,240 for 2015/16.

An employer is not required to provide the minimum superannuation guarantee support for that part of an employee's ordinary time earnings (OTE) above the quarterly maximum contribution base ($50,810 for 2015/16).

Government co-contribution
The Government co-contribution "lower income threshold" is $35,454 for 2015/16 (up from $34,488 for 2014/15); the "higher income threshold" is $50,454 (up from $49,488).

Superannuation benefits 2015/16
The following thresholds have been increased for 2015/16:

- ❑ Superannuation lump sum low rate cap - $195,000 (up from $185,000 for 2014/15).
- ❑ ETP (Employer termination payment) cap amount is $195,000 (up from $185,000).
- ❑ Genuine redundancy and early retirement payments - tax-free amounts:
  - base amount - $9,780 (up from $9,514); and
  - service amount - $4,891 (up from $4,758) for each whole year of service.

Please note; all figures should be confirmed against the Tax Office Website document, "Key superannuation rates and thresholds".

It's time to review your investment strategy

With the new financial year upon us, it is a good time to review the investment strategy for your SMSF.

Pretend it's all in cash
To get the best out of a review of SMSF investment holdings, it can be an advantage to view the portfolio from an unbiased point of view.

A great way to remove the emotion from your review is to pretend that the entire balance of your SMSF is held in cash – sitting in a bank account somewhere.

With this in mind, now pretend you are starting to invest again from scratch. How would you investment your money today?

After writing this down, compare it to the current SMSF holdings and identify the differences between how it is placed currently and where you said would place your cash.

These differences will highlight adjustments to your investment strategy.

It's not just as simple as moving from one holding to another though.

Consider the following:

- ❑ Exit and entry fees applicable;
- ❑ Any costs that might apply to the assets currently held or acquired (e.g., brokerage, stamp duty); and
- ❑ Capital Gains Tax consequences on change.

Review your insurance needs too

Whether or not you need to alter your personal insurance situation should be part of an annual SMSF Investment Strategy review.

Few people actually consider whether:

(a) they have the right amount of cover in place; or

(b) it is held in the best place for them.

One approach that might be considered when reviewing insurance needs is to calculate:

- ❑ What debts need to be repaid?
- ❑ How much money is required to provide for surviving family members?
- ❑ Is there any special purpose you wish to bequeath from your estate?
- ❑ Are there any other expenses that will be incurred?

The total of these amounts would be your estate needs. Then add up the assets you hold and reduce the estate needs by this amount. The resulting figure provides one way of determining your personal insurance needs.

Regardless of the result, make note of your strategy from there, and:

- ❑ Do not to cancel existing cover until it has been replaced; and
- ❑ Consider that if cover was placed many years ago, any health issues since that time might drive up the cost of replacement cover.

Also, assess the cost of the cover – premiums deducted from the SMSF will reduce your investment balance and in turn the retirement lump sum.

If having insurance in your SMSF is the most cost-efficient way of paying for cover, consider making contributions to fully or partially offset the premiums being deducted.

Taking the time to consider your investment strategy will assist in you meeting your trustee obligations and maximising your future benefits.

Can a child be a member of an SMSF?

It is well known that the trustee/member rules regarding SMSFs generally require each member to also be a trustee (or director of the corporate trustee) of the SMSF.

However, there are some specified exceptions to this general rule. One of these exceptions provides that a child under the age of 18 may be a member of an SMSF, provided that their parent or guardian is a trustee (or director) in the place of the child.

To be compliant with the legislation, trustees of SMSFs that wish to admit a child as a member must consider the following in particular:

- ❑ the fact that the parent or guardian of the child member is a trustee/director in the place of the child must be properly documented (e.g., in written trustee resolutions);
- ❑ as soon as the child turns 18, they must become a trustee (or director) in their own capacity, and this should also be properly documented; and
- ❑ the parent or guardian that is to be trustee or director in the place of the child may be a member (and a trustee/director) of the SMSF in their own capacity, although they do not have to be.

Should you wish to consider such an option, please be sure that you have received advice on all aspects of this to make sure your fund remains compliant.
