How to make your own super contributions

If you want to make a superannuation contribution and claim it in your 2020 tax return you best get a wriggle on. The contribution has to be safely in the superannuation fund by the 30th June. This post addresses the practicalities of making the contribution and dealing with the $25,000 cap.

Measuring the $25,000 cap:

If your employer is also making contributions, then making your own, when you want to go all the way up to your cap is tricky. The cap includes contributions made by your employer. Your payslip may tell you how much super your employer has put aside for you, year to date. That is not really relevant, it is the date that they actually put it into the superannuation fund that matters. As employers have up to 28 days, after the end of the quarter, to contribute, the June contribution could be paid into the fund either side of the 30th June. From your employer's point of view, they get a tax deduction in the year they actually make the contribution. So, if they are having a good year, they will make it early, possibly giving you 5 quarters of contributions in one year. If they are having a bad year, they may be cash strapped and not make the contribution until the last minute i.e. 28th July and they may have done that last year.

In short, ignore your payslip, log into your superannuation account to find the year to date contributions it has received for you. Then ask your employer whether they are going to make any more contributions, actually into the fund, for you, before 30th June. If they are, add this to the balance already showing in the superannuation fund. Then deduct that total from $25,000 to get the amount you are allowed to contribute without going over your cap.

Catch Up Contributions:

2020 is the first financial year where you are allowed to contribute over and above your $25,000 cap by the amount of the $25,000 contribution cap that you did not use up in the 2018-2019 financial year. Warning – you can only qualify to take advantage of this if your superannuation balance at 1st July 2019 was under $500,000.

What if you go over?

Providing you have not gone over your $100,000 non tax deductible non concessional cap any excess over your concessional contributions cap ($25,000 plus catch up from last year if you qualify) will be treated as a non concessional contribution. You just won't get a tax deduction for that portion and it is now locked away in the fund until retirement. If you are close to retirement anyway, that might not be a bad thing.

How to actually make a super contribution for yourself:

The best way is to electronically transfer the funds with the right code. This code not only makes sure the contribution goes against your account; it also describes what sort of contribution it is. You need to contact your fund to get that code. They all seem to have different terminology in their call centres, so it is important to make the following things clear to them.

- You are making the contribution for yourself; it is not an employer contribution.

and

- You are going to claim the contribution as a tax deduction in your personal tax return, so you need them to send out the form for your Accountant to complete.

Important to Note:

You should get advice to make sure it is appropriate for you to make a contribution. For example, you need to be under 75 years of age and between 65 and 75 you need to pass a work test. You also need to be sure that a superannuation contribution is the right strategy for you.