

# Changes to non-concessional contributions

Non-concessional contributions are those contributions that are made with after tax money. These generally include personal after tax contributions and Government co-contributions.

## What are the changes?

- Lifetime non-concessional contribution cap limit of \$500,000
- Removal of existing annual non-concessional cap and bring forward provisions
- Removal of work test requirements for contributions made between the ages of 65 and 74

## Lifetime non-concessional cap limit of \$500,000

Currently the non-concessional contribution cap is \$180,000 per year. Where a person is under 65, they have the ability to bring forward two years contributions and has the ability to contribute up of \$540,000 in one year.

From 7:30pm AEST on 3 May 2016, a new lifetime cap limit of \$500,000 will apply to all non-concessional contributions. All of your non-concessional contributions made from 1 July 2007 will be measured against this new cap.

For those who have already contributed more than \$500,000, you must not make any additional non concessional contributions. However, you will not be penalised or forced to withdraw amounts from super if you had exceeded this new cap as a result of non-concessional contributions. For those that exceed the cap from 7:30pm AEST 3 May 2016, excess contributions will need to be removed or will be subject to penalty tax.

## Case study

*Frank is 57 has progressively been making non-concessional contributions to his super account since 1 July 2007. To date he has contributed \$350,000. As a result, he has \$150,000 remaining in his lifetime non-concessional cap limit.*

## Removal of existing annual non-concessional contribution caps and bring forward provisions

With the new lifetime cap applying to non-concessional contributions from 7:30pm on 3 May 2017, the existing rules around non-concessional caps are no longer needed. As a result, the annual non-concessional cap of \$180,000 ceases to apply, as does the ability to bring forward the annual caps for the next two years.

All that now applies is measuring all non-concessional contributions against the new lifetime limit.

## Removal of work test requirements for contributing between the ages of 65 and 74

Consistent with changes that apply for concessional contributions between the ages of 65 and 74, from 1 July 2017 there will no longer be a requirement to meet a work test in order to make a non-concessional contribution to super between these ages. This change is significant as many people are often only able to make large voluntary contributions around retirement age and may not be able (or willing) to find employment to make the contribution.

## Case study

*Joan and Fred are both aged 66 and have modest superannuation balances. They have only been able to make non-concessional contributions of \$90,000 and \$60,000 respectively over the last 10 years.*

*As their children have now grown up and left home, Joan and Fred decide to sell their current home and downsize for a more comfortable and manageable retirement. In doing so, they have managed to free up \$700,000 of capital from the sale of their existing home that is needed for the purchase of their new property. Even though they aren't working, they will now be able to contribute these finds into their respective super accounts, provided neither exceeds the new \$500,000 lifetime limit.*

## Summary

The budget proposals in relation to non-concessional contributions are just that, proposals. To ensure you get the right advice for your situation you should consult your financial adviser.

**Contact BG Wealth Management for further information on 03 9810 0700 or visit [www.bgwealthmanagement.com.au](http://www.bgwealthmanagement.com.au)**



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