



Super splitting offers attractive tax benefits, increases retirement income

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The Federal Government has released draft regulations on super splitting to give effect to the Government's Superannuation Contributions policy. This has been outlined in the 2004 election policy document, "Superannuation for All and Understanding Money" in the 2005/06 Budget.

Super splitting will allow contributions to be "split" or shared with a spouse. This will assist families to maximise the benefits available in super and provide an avenue for spouses to share in super benefits. It will be of particular benefit to low income or non working spouses by allowing them to have super under their own control and have their own income in retirement.

Kate Anderson, Technical Services Manager, Mariner Financial Limited welcomes this move. She said "This is great news for those couples seriously committed to super as it means, in very simple terms a greater incentive for people to contribute to super and to fund their own retirement which will in turn see the introduction of a number of unique retirement savings ideas".

The regulations contain two important improvements from the previous draft versions:

1. Contribution splitting will be allowed for contributions made after 1 January 2006 (brought forward 6 months from original proposal). This means that contributions made on or after that date will be eligible to be split where funds "choose" to offer this service to its members.
2. Splitting will be voluntary on super funds

Other points to note from the draft regulations are:

- A member will be able to split up to 100% of contributions made. Under the previous regime only 70% of deductible contributions could be split.
- Rollovers or transfers into a super fund will not be able to be split
- The eligible service period of the splitting spouse does not travel with the split contributions
- Splitting will occur in arrears i.e. after financial year end a super fund will be able to request that their contributions be split with their spouse. However,

people who wish to claim their personal contributions as a deduction will have to tell the super fund that they intend to claim these contributions as a deduction and the fund must acknowledge this before contribution splitting can take place

- Contributions which are split will be compulsory preserved in the receiving spouse's super fund account

An example of how super splitting could work for a couple:

- Splitting allows a couple to build two separate superannuation accounts even if one spouse is on a low income or not working. Benefits arise for a couple being able to access two separate reasonable benefit limits (RBL) and two eligible termination payment (ETP) low rate thresholds.
- A couple could have a combined pension RBL of \$2,595,772 [(2005/06) \$1,297,886] meaning that this is the lifetime limit they can receive, which is taxed concessionally.
- A couple will also be able to receive the first \$129,751 (05/06) of the post June 1983 super benefits tax free (after age 55). Combined, the couple will be able to receive \$259,502 tax free in retirement.
- The end benefit from a tax point of view will offer the real attraction i.e. the two low rate threshold and the two separate RBL limits. For those that take their super as an income stream, the tax saving from a contribution split will be the scope to better utilise a 15% tax rebate entitlement allowed on taxable pension income funded by savings within the lump sum RBL, and to manage the tax.

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Note to the editors:

Established in 2003, Mariner Financial Limited is an Australian-owned financial services company listed on the Australian Stock Exchange [ASX: MFI]. Mariner's primary focus is servicing Australia's growing superannuation market by providing uniquely structured investment and retirement income solutions.