Spouse contributions

Educational series

Give your spouse a present for the future, and save some tax at the same time.

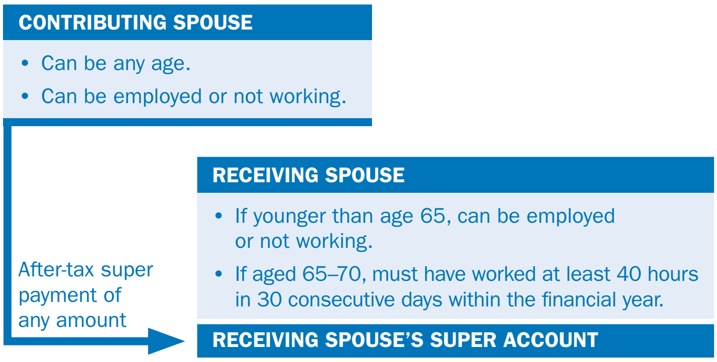
What are spouse contributions?

A spouse super contribution is an after-tax payment that can be invested into a complying superannuation fund held in your spouse's name. In other words you're investing money into your spouse's super account rather than your own.

Spouse contributions can be made at any time before your spouse's 65th birthday regardless of whether or not they are working. After age 65, if your spouse has worked at least 40 hours in 30 consecutive days, you can make spouse super contributions up until their 70th birthday. The chart below illustrates how this works.

Who qualifies as your 'spouse'?

You must be either legally married or a de facto spouse living together on a permanent, bona fide domestic basis (including same sex couples). A married couple living separately does not qualify. Both you and your spouse must also be Australian residents at the time the contributions are made.



A potential $540 tax rebate every year

As the contributor, you can get the full tax rebate if:

- you contribute at least $3,000 to your spouse's account
- their assessable income plus reportable fringe benefits plus reportable employer super contributions is less than $10,800 for the year.

If you contribute less than $3,000, the rebate will be equivalent to 18% of your contributions.

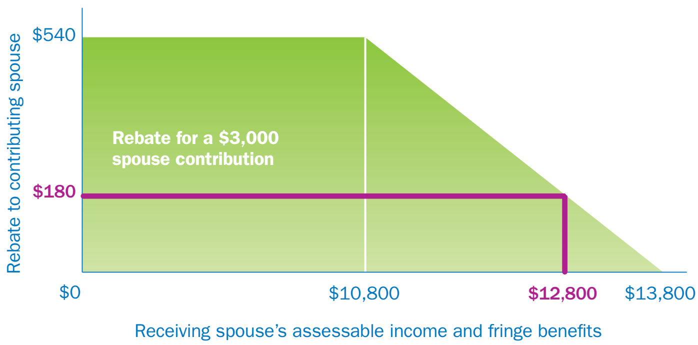
If your spouse's income is higher than $10,800, the rebate reduces until it cuts out when your spouse's income reaches $13,800.

The graph below shows the maximum rebate you can claim for a $3,000 spouse super contribution, at varying amounts of spouse income.

For example, if your spouse is earning $12,800 and you make a $3,000 contribution, your rebate would be $180.

The contributing spouse claims the rebate via their tax return.

BENEFITS OF SPOUSE CONTRIBUTIONS



Two funds could be better than one – you can also split your super with your spouse

If you intend to retire before age 60, splitting your super with your spouse might be a useful strategy for you. One spouse often accumulates the lion's share of super. By splitting your super contributions with your spouse, you could save thousands of dollars in tax at retirement. How does this work?

By having similar amounts of super in each of your accounts you get to take advantage of two tax-free thresholds. If you want to withdraw a lump sum and if you're aged between 55 and 60 you're both entitled to a tax free threshold of $175,000 in the 2012–13 financial year. Also, if you are receiving pension payments and are under 60, you both have a PAYG tax free threshold to use before you start paying income tax.

If you intend to retire once you're age 60, splitting contributions may not be as attractive because all super benefits (including pension payments) received on or after age 60 are not subject to tax.[1]

Note: You can only split your employer or personal deductible contributions with your spouse, non-concessional (after-tax) contributions, cannot be split.

Who can apply to split contributions?

You may split contributions with your spouse if they:

- are under preservation age (currently age 55) at the time of the request
- have reached preservation age and are under 65, and do not satisfy the 'retirement' condition of release at the time they request to split their contribution.

Contribution splitting isn't available for your spouse if they are 65 or older.

When can contributions be split?

Contributions made between 1 July 2011 and 30 June 2012 can be split from 1 July 2012 until 30 June 2013.

Tip!

If you intend to roll over your entire super balance before the end of the financial year, you can apply to split your contributions within that same financial year prior to creating your new pension account.

For more information on spouse contribution splitting, please speak with your financial adviser.

Establishing a spouse super account

Colonial First State has two superannuation products which can accept spouse super contributions:

- FirstChoice Wholesale Personal Super which has the the added attraction in that it offers 'multi-manager' investments. This means you can diversify your super across a range of fund managers and more than 100 investment options.
- FirstChoice Employer Super helps employers simply and easily meet their superannuation obligations to employees. Instead of running their own fund, employers outsource the administration and investment management to us. Members benefit from a wide choice of options from a variety of managers, competitive fees and superior reporting.

Receiving a spouse contribution

Your spouse can make a spouse super contribution on your behalf by contributing to your existing FirstChoice account. A Spouse Contribution Splitting Application Form is available on our website at colonialfirststate.com.au under the Forms & Tools section.

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Need more information?

Please speak with your financial adviser or visit our website at colonialfirststate.com.au. Alternatively, you can contact us:

Enquiries about existing investments, please call 13 13 36

Enquiries about new investments, please call 1300 360 645

1 This only applies to taxed funds and does not apply to untaxed funds such as the Commonwealth Government Sector Super Scheme.

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