

Introduction

Your superannuation fund is a defined accumulation scheme where a portion of your salary is compulsorily deposited into an account and invested for the sole purpose of your retirement. Making extra contributions to your superannuation account by utilizing the carry-forward contribution to claim a tax deduction. This is where you're eligible to make extra tax deductible contributions to your super account for any unused amount for the concessional cap for the previous 5 years.

Financial Snapshot

Mary (55) is working as an office manager in Brisbane and is starting to take an interest in planning for her retirement. She has spent a significant time away from her career due to the fact she was a stay-at-home mother. She has two investment properties to her name. Both her husband and herself own their primary residence which is now debt free. She recently sold an investment property for \$700,000 which had a cost base of \$350,000.

Income	Assets	Super Contributions
Mary Salary: \$120,000	Net Proceeds of Property Sale: \$250,000	FY 2024/25: SG = \$13,800
CGT Liability: \$75,600		
Expenses: \$60,000	Superannuation Balance: \$150,000	Unused Cap: \$88,700

Understanding Mary's Financial Needs

Mary wanted to reduce the assessable capital gain from the sale of an investment property all the while topping up her superannuation balance for her retirement in approximately 10 years' time. She has a relatively small superannuation balance for her age. After discussing her long-term objectives to fund her retirement where the majority of her assets can be funded in an account-based pension, it was agreed that it was time to focus on making the most of her superannuation.

Financial Objectives

To fund her retirement in 10 years time on an income of \$52,000 per annum.

Strategy Consideration: The Carry Forward Contribution & Eligibility

- ◆ You must have a total super balance of less than \$500,000 at the end of the previous financial year to be eligible to use the carry-forward rules.
- ◆ Unused portions of the concessional contribution cap (currently \$30,000 per year) can be carried forward for up to five financial years.
- ◆ Tax Efficiency: Claim a tax deduction on the extra contributions, potentially lowering your taxable income.
Boost Retirement Savings: Increase superannuation contributions during high-income years or when you have additional funds available.

Understanding The Benefits & Trade Offs

These benefits are often taxed at a lower rate or may be tax-exempt, which can provide financial advantages to the employee.

Once funds are contributed to superannuation funds are 'preserved' for an individual's retirement benefit and remained invested for the long term.

Outcomes

There are several factors to consider with such a strategy, including:

- Mary's original Capital Gain liability from the sale of the property was \$75,600. After utilizing the carry forward CGT bill was reduced to \$32,185.
- The total tax payable for her financial before the carry forward contributions was \$104,788 while after it reduced to \$63,099; with the additional contributions to super (where 15% tax was paid upon entry) the total tax saving was \$28,384.
- Her superannuation balance accumulated to \$225,395.

Projected Superannuation Balance

As part of the advice provide to Mary, she also from this point onwards contributed up to the Concessional Contribution cap on a yearly basis. The table below shows the 10-year projection should she maintain the status quo of her current contributions to after the Carry Forward provisions and maximizing the cap on a yearly basis (assuming a return of 7.20%).

Year	Before	Contributions	After	Contributions
1	150,000	13,800	225,395	30,000
2	169,530		258,791	
3	190,076		293,923	
4	211,689		330,882	
5	234,427		369,762	
6	258,348		410,665	
7	283,512		453,695	
8	309,984		498,962	
9	337,833		546,583	
10	367,131		596,680	

Further Considerations

As part of the advice provide to Mary she also considered the other areas of financial advice which were:

- Retirement Planning: Non-concessional Contributions & Quarantining The Taxable / Tax-Free components.

Learning More

Want to talk about your personal situation with one of our advisors?

Call, email or visit our website using the details below for a **free no-obligation 30-min catch-up** with one of our experts.

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