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# PIS Timely Tips



## First Home Saver Accounts

On 1<sup>st</sup> October 2008 the Government introduced its much heralded First Home Saver Accounts (FHSAs), an initiative designed to assist people wishing to save for a deposit for their first home.

As an incentive to help people save for their first home, FHSAs provide taxation benefits and may also attract contributions from the Government.



To be eligible for a FHSA, an account holder must be at least 18 years of age and less than 65, they have not previously purchased or built a house to live in, they don't currently have (or previously have had) a FHSA, and they have a Tax File Number which they supply to their FHSA provider.

If a person opens a FHSA and they are ineligible to do so, penalties may apply.

Amounts saved in a FHSA are contributed by the account holder (or others wishing to make deposits such as an employer or parent). The deposits are made from "after-tax" income.

One of the interesting features of the FHSAs is that the Government will make contributions directly to a person's FHSA based on the amount personally contributed to the account. The current level of Government contribution is 17% of the first \$5,000 of contributions made each year. This figure will be indexed. In simple terms, if an eligible person opens a FHSA and contributes \$5,000 in a given year, the Government will contribute a further \$850.

There is no requirement for deposits to be made each year in order for an account to remain open, and an account may remain open until the account holder turns 65, at which time it must be closed.

As FHSAs pay interest on the account balance, the income earned is taxable. However the interest will be taxed at a rate of 15%. Withdrawals from a FHSA are tax-free.

The maximum amount that can be held in a FHSA is \$75,000. This figure will be indexed. Once a deposit reaches the cap, no further contributions can be made. Any contributions made by an account holder once the account balance reaches the cap of \$75,000 must be returned to the account holder.

In order to be able to withdraw funds from a FHSA, minimum contributions of \$1,000 must be made for each of four separate financial years. As the purpose of the account is to assist in the purchase or construction of a first home, strict conditions apply to withdrawing funds from a FHSA.



Funds may be withdrawn to assist with the purchase or construction of a first home in which the account holder will live. An "occupancy test" requires the account holder to live in the home for at least six months within the first 12 months following purchase or completion of construction.

If an account holder wishes to close their account for purposes other than purchasing a home, they may do so at any time provided the full amount is transferred to the account holder's superannuation account. Penalties will apply where an account holder fails to meet the withdrawal and occupancy conditions.

FHSAs may be offered by public offer superannuation funds, life insurers and friendly societies, banks, building societies and credit unions.

Further information is available from [www.homesaver.treasury.gov.au](http://www.homesaver.treasury.gov.au) or from account providers.

Source: Peter Kelly - Professional Investment Services.

## Did you know?

The much awaited superannuation statistics for the September 2008 quarter were released on 22<sup>nd</sup> December 2008.

Total superannuation assets stood at \$1.145 trillion at the end of September 2008, down from \$1.170 trillion at 30<sup>th</sup> June 2008. Superannuation assets peaked at \$1.237 trillion in December 2007.

Source: [www.apra.gov.au](http://www.apra.gov.au)

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- Corporate superannuation
- Corporate services

## Simple strategies to maximise super savings

With the turmoil that has been affecting investment markets and world economies since November 2007, many of us have become increasingly aware of our retirement savings, generally held in a superannuation account.

For those approaching retirement, this has been a very disturbing time as we now face the likelihood of having to extend our working lives as we rebuild our retirement nest-egg.

There are some simple strategies that can be used to give a boost to our superannuation savings. In this article we will look at a number of popular but often overlooked strategies.

### 1. Government co-contribution

Where a person makes a personal non-concessional contribution to a superannuation fund, they may be eligible to receive a Government co-contribution of up to \$1.50 for every \$1.00 of personal contributions, subject to a maximum co-contribution of \$1,500.

A number of conditions must be met in order to qualify for a co-contribution including:

- The personal non-concessional contribution must be made to a complying superannuation fund;
- At least 10% of the taxpayer's total income must be derived from employment or self-employment;
- The taxpayer must be under 71 years of age at the end of the financial year in which the personal contribution is made;
- The taxpayer must lodge a tax return for the financial year;
- The taxpayer must not be an eligible temporary resident visa holder; and

- Total income must be below an income threshold of \$60,342 (for the 2008/09 financial year).

To achieve the maximum co-contribution of \$1.50 for each \$1.00 of personal contributions, a taxpayer's income cannot exceed \$30,342 in the 2008/09 financial year. Once this threshold is exceeded, the amount of co-contribution begins to reduce and cuts out entirely once income reaches \$60,342.

The Government co-contribution can be an effective way of giving a boost to superannuation savings.



### 2. Spouse contributions

Making a contribution on behalf of a qualifying spouse can not only add to their superannuation savings, but may result in the contributor being eligible for an income tax offset (or rebate) of up to the \$540.

Where a person makes a non-concessional contribution to a superannuation fund on behalf of their spouse who is under the age of 65 (or up to 70 if still working), and the spouse for whom the contributions are made (the "receiving spouse") has an assessable income (plus reportable fringe benefits) of less than \$10,800, a tax offset of up to 18% of the amount contributed (to a maximum offset of \$540) may apply. Where income exceeds \$10,800, the amount of rebate progressively reduces

and cuts out once the receiving spouse's assessable income plus reportable fringe benefits reaches \$13,800.

Making a spouse contribution for a low income earning spouse can not only add to their superannuation benefit, but may deliver a valuable tax benefit for the contributing spouse.

### 3. Consolidating super

Whilst there are approximately 10 million Australian's in the work force, there are approximately 30 million superannuation accounts in existence.

By rationalising our superannuation accounts, we can often achieve savings in terms of the fees and charges that are being applied to our accounts.

Furthermore, as we change jobs, it is often possible to lose track of the superannuation that we have. The Government has identified some \$13 billion of "lost" superannuation sitting inside some 6.4 million superannuation accounts. This represents a substantial sum of money. Ask your financial adviser to assist you in seeking any lost superannuation you may be entitled to.

These are just a couple of simple strategies that may be employed to help boost your super. However, superannuation can be complex, as can the application of other more sophisticated strategies. Now may be the time to sit down with your financial adviser and give your superannuation savings a "health check" to ensure that you are on target for the type of retirement you have always dreamed of.

*Source: Peter Kelly – Professional Investment Services.*

Your local adviser office is located at:

#### Disclaimer

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