

Smart Money

Drip-feeding to your super supplies a winning strategy

ANTHONY KEANE

SMALL business owners do not have to miss out on the benefits of tax-free retirement following the new superannuation rules that came into effect this month.

Adelaide financial strategist Theo Marinis said pre-retirees holding business sale proceeds or past profits in a family company could benefit greatly by drip-feeding that money into super over several years.

"Don't panic if you didn't race into super before the end of the last financial year," he said.

"Despite all the hype of the last 12 months or so, super did not cease on June 30, 2007.

"In fact, it remains, as it always has been, the most tax-effective vehicle for people to

save their investment for their retirement."

Mr Marinis said the drip-feeding strategy worked best for people in their late 50s and early 60s who had after-tax profits sitting in a family company.

"It is possible, once a family business has been sold by a family company, for its over 55 and generally under 65-year-old principals to gradually migrate their equity from the business to the super environment. At the same time, they can supercharge their investment through the franking credits built up over the years allowing them a major tax deduction for their contribution," he said.

Imputation credits worked the same in family companies as they did in large corporations

that paid fully franked dividends, he said. For example, if a couple, both aged 60, had \$1 million of after-tax profits sitting in their company, they would be hit with an unnecessary tax bill and would lose the benefit of the imputation credits if all the money was taken out at once.

But if each took out \$100,000 a year over the next five years from the family company, they could offset that with a \$100,000 deductible contribution to super each year and use the \$42,857 imputation credit each would receive to offset other income or gain a tax refund.

Mr Marinis said anyone looking to migrate business profits into super should ensure their adviser was well versed in tax and super legislation.

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