Superannuation teamwork can save families a fortune

From stay-at-home mums to older couples saving heavily, the superannuation system rewards those who take a team approach.

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Saving for retirement can deliver huge financial gains when treated as a team sport.

Couples and families can wipe thousands of dollars off tax bills, receive government cash bonuses or boost age pension payments by working together on their superannuation.

All age groups and demographics can benefit, and super can be transferred between partners relatively easily.

Tribeca Financial chief executive officer Ryan Watson says superannuation splitting, carry-forward contribution strategies, and using age differences to your advantage "can serve to save you tens of thousands of dollars in tax".

"Partnered couples working together can significantly improve their superannuation balance in retirement," he says.

"The biggest trap when it comes to superannuation is not understanding the rules and regulations. This is compounded by the fact that they change so often."

It's a good reason to get advice from a trusted professional, Watson says.

DIVORCE WORRIES

Some people may feel uneasy about transferring some of their super balance to a spouse, but divorce law treats super like just another asset such as a house or cash in the bank.

Financial strategist Theo Marinis has a simple explanation for wary clients: "I say 'you can give it to them lovingly, or if they leave you they can take it out of your account anyway through a court order".

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"I've seen court orders splitting super in half and creating a new account for the spouse," Marinis says.

SPLITTING SUPER

There are several good reasons for couples to split their super contributions with a spouse, including:

• Maintaining life insurance for someone with a low balance.

• Helping the partner access age pension payments.

• Keeping both partners' balances within superannuation caps to receive benefits or avoid penalties.

The Australian Taxation Office says people can split up to 85 per cent of certain contributions – including employer contributions, salary sacrifice and personal tax-deductible contributions – and it recommends contacting your fund for further details.

Irene and Paul Toumazos take a team approach to super. Picture: Matt Loxton

Marinis says his firm often does super splitting strategies at the end of a financial year, but warns it can be complex, including potentially setting up a spouse account.

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“If you have low balances and can’t afford an adviser but are in an industry fund, speak to your industry fund,” he says.

BOOST SMALL BALANCES

Couples with one low-income spouse – perhaps taking time off while raising children - can get free money from the federal government.

The co-contribution scheme delivers an effective 50 per cent return on money if a person earning below $42,016 pumps $1000 of after-tax money into their super account, because the government will contribute its own $500 to the account.

And if your spouse earns less than $37,000 and you put $3000 into their super fund each year, the ATO gives you a $540 tax offset for your effort.

AGE MATTERS

When partners have significant age differences, superannuation magic can happen.

“You move money from one spouse to the other to make it accessible, or tax free, or exempt from Centrelink,” Marinis says.

Some couples move money into the older partner’s account so they can access it sooner or benefit from super’s tax-free income after age 60, while others switch it to the younger member so the retiree receives an age pension without their super impacting the assets test.

“If you have a spouse who is younger, you can keep super exempt for longer from a Centrelink point of view, Marinis says.

Dental surgeon Paul Toumazos and wife Irene, a clinical co-ordinator, have used strategies to grow their super “equally and equitably so together we are much better off”.

“We have each taken advantage of various super rules, including our respective contribution limits, over the years,” he says.

“This has placed us in a position where in a few years, we will both be able to retire comfortably without the usual discrepancy - the super gender gap - in our respective balances.”

EXTRA BENEFITS

Australians who don’t use up their annual $27,500 cap for tax-deductible (concessional) contributions can now carry forward the unused portion for five years for future tax deductions – but only if their balance is below $500,000.

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Tribeca Financial chief executive officer Ryan Watson says thousands of dollars can be saved.

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Some families use self-managed super funds to deliver tax-saving strategies.

"An SMSF can have up to six members now, so mum dad and up to four children," Marinis says.

"But you also need to be very careful it does not cause family disputes and elder abuse."

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