

Fact Sheet: Concessional contribution limits for Defined Benefit members

Concessional contribution limits set the amount you may contribute to superannuation before incurring additional tax. As a Defined Benefit member, you should check if you will exceed this limit, especially if you are salary sacrificing additional amounts to your super.

What are concessional contributions?

Concessional (or before-tax) contributions include employer, salary sacrifice and tax-deductible personal contributions.

As a Defined Benefit member, you will be allocated 'notional concessional

contributions', which will count towards your concessional contribution limit.

The table below outlines the specific limits for concessional and non-concessional (after-tax) contributions. It's important to remember that these limits are flat, so if you're contributing to more than one super fund you still have the one overall limit to adhere to.

What is my contribution limit for the 2021/22 financial year?

CONCESSIONAL (OR BEFORE-TAX) CONTRIBUTIONS

Limited to \$27,500 a year

Concessional contributions include notional, employer, salary sacrifice and tax-deductible personal contributions.

Any contributions made over this limit will be taxed at the individual's marginal tax rate, plus the Medicare Levy, plus an interest charge. Excess contributions will also count towards your non-concessional contribution limit.

You are able to carry forward your unused concessional contributions cap amounts from 1 July 2018. This allows eligible members who do not use all of their concessional cap in a particular financial year, to carry forward their unused concessional cap amounts to future years. The first year in which you can increase your concessional contributions cap by the amount of unused cap is 2019/20, but only if you have a total superannuation balance less than \$500,000 on 30 June in the previous year. Unused amounts are available for a maximum of five years.

NON-CONCESSIONAL (OR AFTER-TAX) CONTRIBUTIONS

Limited to \$110,000 a year

If you're aged under 65, you may be able to bring forward two years of contributions. The bring-forward amount and period is dependant on your total superannuation balance and the financial year in which you triggered the bring-forward. For example, a person under age 65 will be able to make up to \$330,000 of contributions in the 2021/22 financial year, but will then be unable to make further non-concessional contributions until the 2024/25 financial year without exceeding the limit.

Any contributions made over this limit will be taxed at 47% (including the Medicare Levy). If you are over the limit you can choose to have your excess non-concessional contributions (along with associated earnings) returned to you.

Important: If you have \$1.7 million or more in the super system on 30 June in the previous financial year, you will not be able to make non-concessional contributions.

Track your contributions online

Simply log in to your account via russellinvestments.com.au/login

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From phone-based to face-to-face options, our advice offer is designed to help you maximise your financial position.

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iQ Super by Russell Investments

Call: 1800 555 667

For international:
+612 8571 5588

Email:

iq@russellinvestments.com.au

Website:

russellinvestments.com.au/super

How can I calculate my concessional contribution?

As a Defined Benefit member, your concessional contribution will be calculated as the sum of:

1. notional concessional contributions, plus
2. any employer contributions to an accumulation account (if any), plus
3. any additional salary sacrifice contributions you make to an accumulation account (if any), plus
4. any personal contributions you make to your accumulation account for which you have claimed a tax deduction (if any).

Your notional concessional contributions will be an amount calculated in accordance with a formula and assumptions prescribed by the Australian Government. It is not the actual amount that your employer pays to the Plan on your behalf.

At the end of each financial year (to 30 June), Russell Investments will notify the Australian Taxation Office (ATO) of the total concessional contributions received for the year in respect of your membership in the Russell Investments Master Trust (the Fund).

Your notional concessional contributions are calculated using the formula below:

$$1.2 \times (\text{New Entrant Rate} \times S \times D/365 - M)$$

Where

- New Entrant Rate is the rate provided in your Fund Welcome letter. You can also call us to find out the rate.
- S is equal to your superannuation salary at 1 July each year.
- D is equal to the number of days during the financial year that you were a member of the benefit category.
- M is the amount of compulsory member contributions paid from after-tax salary that relates to your defined benefit.

Will I need to monitor my concessional contributions against my limit?

Yes, it will be your responsibility to monitor your concessional contributions against your limit each financial year. Should you exceed your limit, you will need to pay additional tax. Therefore, it will be up to you to implement any contribution strategy and/or payroll changes to ensure you do not pay any excess tax. There may be circumstances when you may choose to exceed the limit. This is a personal consideration depending on your personal financial situation.

You can keep track of your concessional contributions online. Simply log in at russellinvestments.com.au/super, select 'Quotations' and then 'Concessional contributions' to view your contributions for the financial year so far.

Were you a Defined Benefit member on 12 May 2009?

If you were a Defined Benefit member on 12 May 2009, special conditions may apply. If certain criteria are met, your notional concessional contributions will be capped at the concessional contribution limit even if the calculated formula produces a higher result. This is called the 'grandfathering' of your notional concessional contributions.

It's important to note that the grandfathered cap only applies to the notional concessional contributions that relate to the defined benefit portion of your benefit. It does not apply to any other accumulation style concessional contributions, including voluntary salary sacrifice or award contributions, whether those contributions are made to this Fund or to another super fund.

Grandfathering arrangements may no longer apply in certain circumstances; for example if your New Entrant Rate increases as a result of a change to your contribution rate, or if you have a significant salary increase on a non-arm's length basis.

The rules governing grandfathering provisions are complex, so if you need more information or want to check whether grandfathering applies to you, please call us.

Example 1 – John is aged 48 and his fund requires him to make 5% compulsory after-tax contributions.

John is aged 48 and his salary at 1 July is \$60,000, his New Entrant Rate is 10% and John makes 5% compulsory after-tax contributions (equal to \$3,000). John's employer pays 3% of his salary into an accumulation account. John has also been paying \$100 a month on a voluntary basis into his super through a salary sacrifice arrangement.

1. John's estimated notional concessional contributions for the full financial year will be:

$$1.2 \times (10\% \times \$60,000 - \$3,000) = \$3,600$$

2. John's employer also pays

$$3\% \times \$60,000 = \$1,800$$

3. John salary sacrifices

$$\$100 \times 12 \text{ (months)} = \$1,200$$

Therefore, John's estimated concessional contributions for this financial year will be \$6,600. As it stands, John has scope to make additional before-tax contributions of \$20,900, i.e. \$27,500 (the limit) less \$6,600.

Example 2 – Jane is aged 50 and she makes 5% compulsory contributions on a before-tax basis.

Jane is aged 50 and is in the same fund as John. Her salary at 1 July is \$60,000 and her New Entrant Rate is 10%. Jane makes 5% compulsory before-tax contributions (equal to \$3,000). Jane's employer pays 3% of her salary into an accumulation account. Like John, she also pays an additional \$100 each month through salary sacrifice to her super. Jane is not required to make after-tax contributions like John.

1. Jane's estimated notional concessional contributions for the full financial year will be:

$$1.2 \times (10\% \times \$60,000 - 0) = \$7,200$$

2. Jane's employer also pays

$$3\% \times \$60,000 = \$1,800$$

3. Jane salary sacrifices

$$\$100 \times 12 \text{ (months)} = \$1,200$$

Therefore, Jane's estimated concessional contributions for this financial year will be \$10,200. As it stands, Jane has scope to make additional before-tax contributions of \$17,300, i.e. \$27,500 (the limit) less \$10,200.

The examples set out are not specific to your account and are to be used as a guide only.

Staying within your limit

If you are considering or are already salary sacrificing additional contributions, you will need to monitor your strategy. If you are at risk of exceeding your limit, you may need to reduce your nominated additional salary sacrifice contributions. Remember, salary sacrifice contributions that you are required to make to fund your defined benefit are considered part of the notional concessional contribution amount.

What if I exceed my concessional contribution limit?

If the total concessional contributions reported on your behalf to the ATO exceed the relevant contribution limit, then you will pay an additional tax at your marginal rate, plus the Medicare Levy, plus an interest charge. The excess contributions will also count towards your non-concessional contribution limit.

Note, the ATO will combine the reported concessional contributions for you from all super funds. If you are liable, the ATO will send the assessment for the additional tax to you. You may pay the assessment yourself or forward it to us to have the tax deducted from your super account.