

If you're thinking about building or buying your first home, you may be able to use some of your super savings to do so through the First Home Super Saver Scheme.

## WHAT IS IT?

Buying your first home is an exciting and important milestone in life. The first step? Getting your deposit organised. Unless you win the lottery or come into a sizeable inheritance, it's not the easiest thing to do—it takes time, planning and commitment.

That's where the First Home Super Saver (FHSS) Scheme could help. Introduced in the 2017-18 Federal Budget, it's designed to help you get a head start with your deposit using your super savings.

## HOW DOES IT WORK?

FHSS allows you to withdraw eligible voluntary contributions you have made to your super to purchase your first home—a new or existing home in Australia.

These voluntary super contributions<sup>1</sup> can take the form of:

- before-tax salary sacrifice contributions
- after-tax voluntary personal contributions.

For more information on the limits that apply to before and after-tax contributions, please refer to the Contributions Limits factsheet, available at [russellinvestments.com.au/factsheets](https://russellinvestments.com.au/factsheets)

You can withdraw contributions of up to \$50,000 in total<sup>2</sup> (with a maximum of \$15,000 from contributions made in any single financial year).

When you are ready to buy or build your first home, you can withdraw these contributions, plus deemed investment earnings.

## WHAT ABOUT TAX?

That's one of the best things about FHSS.

Before-tax contributions are taxed at 15 per cent when they are paid into your super. Any before-tax contributions that you then withdraw under the FHSS are included in your assessable income in that year, with a 30% tax offset. As this 30% tax offset is higher than the 15% rate on contributions, you end up paying less tax than if you had saved the money for a house deposit outside super.

No tax is paid on after-tax contributions on the way into your super or when you withdraw them under the FHSS, as you have already paid income tax on these amounts.

Deemed investment earnings that you withdraw are also included in your assessable income in that year, with a 30% tax offset. Again, as this 30% tax offset is higher than the rate of tax on investment earnings in your super, you end up paying less tax than if these amounts were earned by you outside super. You also benefit from actual investment earnings in your super being taxed at a concessional rate.

## HOW MUCH CAN YOU WITHDRAW?

You can withdraw up to:

- 85% of eligible before-tax contributions
- 100% of eligible after-tax contributions
- 100% of the deemed<sup>3</sup> investment earnings.

The Australian Taxation Office (ATO) will withhold tax from the amount you receive, based on your expected marginal tax rate for the year less a 30% tax offset, applied to the before-tax contributions and deemed investment earnings.

You cannot withdraw any employer Superannuation Guarantee contributions, spouse contributions, government contributions, contributions above government caps or defined benefit contributions.

You can take out what you need when you are ready to enter the housing market. It's fine if you haven't found a property yet, but you will need to buy a home within 12 months of withdrawing your super. You can ask the ATO to extend this to 24 months.

Remember, you can use this scheme only once.

## ARE YOU ELIGIBLE?

You can qualify for FHSS, if you:

- are aged 18 years or older
- have not previously owned property in Australia (includes land, investment or commercial property)
- are house hunting or looking to buy or build a property within the next 12 months
- plan to live in the property for at least six months in the first year
- have not already applied for FHSS.

You will be eligible if you meet all eligibility criteria, even if you plan to purchase with a partner who does not meet the criteria.

<sup>1</sup> Find out more about these contributions, with the Salary sacrifice vs after-tax contributions fact sheet, available at [russellinvestments.com.au/factsheets](https://russellinvestments.com.au/factsheets)

<sup>2</sup> If you applied for FHSS before 1 July 2022, the total is limited to \$30,000.

<sup>3</sup> The deemed rate is based on the 'shortfall interest charge' and is updated quarterly. For more information, visit [ato.gov.au/rates/shortfall-interest-charge-\(sic\)-rates/](https://ato.gov.au/rates/shortfall-interest-charge-(sic)-rates/)

If you've experienced financial hardship that then led to you losing your home, talk to the ATO as you may still be eligible. Hardship includes losing ownership due to bankruptcy, divorce, separation from a de-facto partner, relationship breakdown, losing a job, illness or natural disaster.

## WHAT DO YOU NEED TO CONSIDER?

While the tax-effective nature of saving for a deposit within super is a huge positive, the benefits depend on your personal circumstances. It may be worthwhile getting professional advice on it.

## HOW DO YOU APPLY?

If you want to use the FHSS Scheme to get closer to achieving your deposit goal, you need to apply for it through your myGov account linked to the ATO.

For more information, please visit [ato.gov.au](http://ato.gov.au) and navigate to Individuals > Super > Withdrawing and using your super > First Home Super Saver Scheme.



### Advice that's right for you

Good financial advice is about making the most of what you have to help achieve your goals. That's what we offer—general information, personal advice over the phone, Retire Ready meetings (often at no cost) or comprehensive personal advice (complimentary first meeting).

Find out more at [russellinvestments.com.au/advice](http://russellinvestments.com.au/advice)



### We're here to help

If you have any questions, please contact us:

- call **1800 555 667** (Monday to Friday 8.30am to 5.30pm AEST)
- email [iq@russellinvestments.com.au](mailto:iq@russellinvestments.com.au)
- visit [russellinvestments.com.au/super](http://russellinvestments.com.au/super)

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