CPR WEALTH
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Checklist for the end of financial year

The end of financial year on 30 June is a good time to take stock and get your finances in order.

This is an end of financial year like no other.

Being prepared, reviewing your super contributions and submitting your return on time are good policies every year, but the shadow of COVID-19 (coronavirus) means many of us face unexpected pressures in a changing economic environment.

Many people will have concerns around job security, which makes long-term planning seem less important.

You may face urgent priorities for your money, such as mortgage repayments, covering bills and paying down debt.

If you've worked from home this year, the government has recently released guidance on claiming working from home expenses as a tax deduction. Due to COVID-19, this financial year the ATO will accept a shortcut method for calculating running expenses from 1 March to 30 June.

Here are some other things to consider as 30 June approaches.

What's new this year if you're at or near retirement

Changes kicking in this financial year include lower minimum pension drawdown requirements to help retirees affected by significant losses in financial markets as a result of COVID-19.

The minimum annual payment required for account-based and allocated pensions and annuities has been cut by 50% in the 2019–20 and the 2020–21 financial years.

If you've recently retired, you may still be able to make voluntary super contributions and potentially claim a tax deduction for personal super contributions. Current regulations allow eligible 'recent' retirees, aged 65 and over, a limited exemption from having to meet the work test, which is otherwise required to make voluntary super contributions. This applies to contributions made from 1 July 2019.

This is also the first year that those who are eligible can use unused carried forward concession cap amounts from the previous financial year.

First applications for early release of super withdrawals up to $10,000 must be made by 30 June. A further application can be made between 1 July and 24 September 2020.

Super fund members born between 1 July 1962 and 30 June 1963 will reach their preservation age during the 2020/21 financial year and may wish to consider whether a transition to retirement pension is appropriate.

Proposed changes

From 1 July 2020, the following proposed changes, if legislated, may benefit members aged 65 and 66 who want to make additional contributions to super. Note that legislation around these changes hasn't yet been passed.

- Up to age 67 (currently 65) you will be able to make personal and non-mandated employer contributions to super without needing to satisfy the work test (ie been gainfully employed for 40 hours in 30 consecutive days during the financial year in which the contributions are made).

- You will be able to access the bring forward provisions for the non-concessional cap up to age 67 (currently 65). This means you will be able to contribute up to $300,000 to super (you can generally bring forward up to $300,000 if your total super balance on the previous 30 June is less than $1.4m, or up to $200,000 if it's less than $1.5m).
- The maximum age at which you will be able to receive a spouse contribution will increase from 70 to 74.

Think about making extra super contributions

End of the financial year is usually a good time to think about making extra contributions to take advantage of the lower rates of taxation on super.

While that might be harder this year with competing priorities, it still makes sense to keep in mind that additional contributions today could boost your super balance in the future. There are a number of different types of contributions to consider. You may also be able to reduce your taxable income and pay less on investment earnings.

To claim a tax deduction on your post tax contributions, you need to tell your super fund by filing a notice of intent. You will generally need to lodge this notice, and have the lodgement acknowledged by your fund, before you file a tax return in the year you made the contributions.

If you're earning more than your partner and would like to top up their retirement savings, or vice versa, you may want to think about spousal contributions. The spouse making the spousal contributions could be eligible for a tax break.

You and/or your partner may also be eligible to receive a government co-contribution. If so, you might consider making a personal non-concessional contribution before 30 June to make sure you receive the matching government co-contribution for the 2019-20 financial year that you are entitled to.

Consider your insurance premiums

If you have income protection cover, and your budget allows, you may consider pre-paying your premiums 12 months in advance to take advantage of claiming a bigger tax deduction this year. This may work well if your income is higher in the current income year than next.

However, it is important to get some tax advice as to whether doing so this year is a good idea for you based on your income.

Talk to a professional

If you use a tax agent to complete your return, it's worth having a word with them about your circumstances to see if there are other potential savings you can make. Also have a word with us, if you haven't already as we can assist you to make the best decisions for your situation at this time.

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