

Superannuation & SMSF Year End Action Considerations

As the 2022 Financial Year comes to a close SMSF Trustees should start planning for year end to ensure their administration and audit process runs smoothly. A few things to consider are:

Contributions

Many members may wish to maximise their contributions to super for the year. Remember all contributions must be received either in the Fund or at worst received by the Small Business Super Clearing House by 30 June to be considered in the 2022 year cap, don't leave it until the last minute.

Concessional Contributions

The general concessional contribution cap for 2022 is \$27,500.00. This includes employer SGC Contributions. For members aged 67 or older the work test must be satisfied to make these contributions and the contributions may have additional qualifications.

In deciding whether to make additional concessional contributions please consider:

- If you are planning to make it personally ensure you have sufficient taxable income to make it worthwhile and that you lodge the Notice of intention to claim with your Superfund (available on our website)
- Consider any contributions made last July, even if they are in relation to salary earned the previous year they will still be caught in this year's current contributions cap.
- If you are interested in making catch up contributions check your total super balance at 30 June 2021 was less than \$500,000 and that you have some carry-forward contributions cap available – We can assist you in checking this if you are uncertain.

Non-Concessional Contributions

The general non-concessional contribution cap for 2022 is \$110,000.00. This is available for those under age 67 and for those who have a Total Super Balance of less than \$1,700,000.00. If you are 67 or over you must satisfy the work test (40 hours in 30 days) to make a non-concessional contribution.

There is some ability to prepay an additional two years non-concessional contributions subject to various limits. If you have additional funds you wish to contribute in this way please contact us to discuss your personal circumstances. It can be expensive from a tax perspective if you exceed the caps.

Pensions

If you are receiving a pension from your superannuation fund it is essential that you have received the minimum pension for the year prior to 30 June. The minimum pension is calculated as a % of your balance at 30 June 2021. Failure to pay the minimum pension will mean that the total earnings in your fund for the year may not be exempt from tax.

If you have withdrawn a greater amount than your minimum pension for the year, and you have funds in accumulation as well as pension, it would be beneficial to discuss how the greater amount will be allocated (pension or lump sum). It may be appropriate to give directions that amounts in excess of the minimum pension are to be classified as Lump Sums. Please contact us if you think this may apply to you.

Investment Valuations

Investments are required to be valued at market value at 30 June each year. For listed investments such as Shares or Units or even investments in managed funds this is not an issue as plenty of publicly available data is available. Real Estate in particular can be more difficult to value at a later date. To ensure that an appropriate valuation is obtained we recommend you contact your managing agent when you receive the Annual rental summary and request:

- A letter outlining the value or alternatively a range in value of the property where it to be sold at that time. Two examples of comparable sales will be required to be included as evidence by an SMSF Auditor.
- A rental appraisal from a real estate agent if it is a commercial property.

If you do not have a managing agent we will be happy to discuss alternatives that would satisfy an SMSF Auditor.

Investments in unlisted or private entities can be more problematic to value. A set of the latest Financial Accounts is a good starting point and we will be happy to assist with further alternatives if appropriate.

Investment Strategy

The trustees of an SMSF must have an investment strategy AND have reviewed it regularly to ensure the investments are in accordance with the strategy. Where the type of investments have changed during the year trustees need to make sure that is reflected in the investment strategy. In addition insurance and diversification must be considered. If you have reviewed your Investment Strategy and you are of the opinion it needs updating we would be happy to assist you.

Trust Deeds

Since 2007 there have been many changes to superannuation. These changes may not be reflected in your trust deed. The Trust Deed is the rules specific to your fund and if some of the changes to super are not specifically detailed in your deed, you may not be able to utilise them. Some examples of these changes are Binding Death Benefit Nominations, Reversionary Pensions, or as in the most recent changes the number of members an SMSF may Have (from 4 to now 6). It is generally recommended that trust deeds be updated every 5-7 years. This is particularly appropriate when there is a change in an SMSF from accumulation to pension. This update can be arranged through our office where required.

Naturally if you have any questions in regards to any of the above we will be happy to assist.

The information provided in this update is general in nature. If you require advice that considers your personal circumstances we will be happy to assist you.