barnett financial planning

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A **super** tax opportunity

Super is one of the most tax-effective ways to save. You could be thousands of dollars better off by making 'concessional contributions' to your super. And, putting more money into your super now could make a big difference to your retirement later on.

So, before the end of the financial year, ensure you make the most of your concessional contributions so you can take advantage of the tax benefits.*

What are concessional contributions?

Concessional contributions are made to your super either with your before-tax salary or by claiming a tax deduction on certain after-tax contributions.

This financial year, the contribution cap allows you to make these tax-effective contributions up to **$25,000**. Remember, your employer's contributions count towards your concessional contributions cap. So, you need to check what amount they will contribute this financial year to work out how much you can top-up your super to take advantage of the $25,000 concessional contribution limit.

Please note that conditions such as age restrictions and the 'work test' (if you're between age 65 and 74) apply.

What is the tax benefit?

For most people, concessional contributions are taxed at just 15% - not your marginal income tax rate which could be as high as 47% including the Medicare levy. This big difference in tax could mean thousands of dollars of extra money in your super.

What if you can't contribute this financial year?

From 1 July 2018, new rules let people with total super balances under $500,000, to 'carry forward' up to five years' of the unused portion of their concessional contributions cap.

So, if you can't contribute this financial year, you may be able to carry it forward next financial year and contribute up to $50,000.

* Before making a decision to make extra contributions to super please contact us and we can help.

How to contribute

There are two ways to contribute to your super. However, before you contribute, don't forget to check you're eligible.

1. Salary sacrifice using your pre-tax salary

To salary sacrifice to your super, contact your employer's payroll department and ask them to contribute an amount of your pre-tax salary to your super account. 15% contributions tax will be applied to the contribution rather than your marginal income tax rate. You should confirm with your employer whether this may impact your other entitlements before entering into a salary sacrifice arrangement.

2. Make voluntary personal contributions using your post-tax salary and claim a tax deduction

Contact your super fund to find out how you can make a personal contribution. Once you have made a contribution, if you wish for this to be treated as a concessional contribution you will need to lodge a 'Notice of intent to claim or vary a deduction for personal super contributions' (notice of intent) to your super fund on or before:

- the date you submit your tax return, or
- the end of the following financial year in which the personal contributions were made, or
- before you rollover or withdraw funds from your account.

Then, on your annual tax return, declare the amount of concessional contributions you have made in the specific section of your tax return relating to personal concessional contributions. Note, in certain circumstances the Australian Taxation Office (ATO) may disallow your deduction if you do not have enough income to support it.

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Is it time to go **off-grid**?

Once considered a radical way to live, many Australians are now viewing an off-grid lifestyle as both economically and environmentally savvy. We delve into some of the pros and cons and whether it's a good choice for you.

Just a few years ago, going off-grid wasn't something many people would seriously consider unless they lived in a remote area or had strong environmental leanings. However, increasing instability in the electricity grid, soaring utility bills and climate change are some of the reasons why more Australians are exploring the idea of an off-grid lifestyle.

What does going 'off-grid' mean?

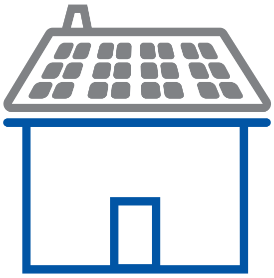
Going off-grid means living self-sufficiently by detaching from public or private utility companies. While solar is generally the first thing that comes to mind when we hear the words 'off-grid', going off-grid isn't just about electricity – it also involves disconnecting from municipal water, sewerage and gas services and adopting a lifestyle underpinned by self-sustainability.

The transition to an off-grid home will often occur when families are either renovating or building a new home, which makes it relatively easy to add things like batteries, rainwater tanks, new plumbing and solar panels, but these things can also be easily retrofitted to an existing home.

How much does it cost?

In terms of costs, to live off the electricity grid you will need a reliable solar battery, a large off-grid solar system and a backup generator. All up, living entirely off the energy grid could initially cost up to $25,000, even after factoring in government rebates and incentives. Water-wise, the best rainwater tank system and fittings depend on your house. Most complete rainwater systems cost around $11,000.

Sewage can sometimes prove the trickiest aspect to transitioning off-grid, with some local councils reluctant to allow people to treat their own sewage. However, with the appropriate permissions, there are options such as composting toilets and worm farms. A complete sewage recycling system could cost up to $11,000.



Government solar incentives

The Federal Government's Small-scale Renewable Energy Scheme encourages households and businesses to install small rooftop solar systems. The scheme awards people by allocating 'Small-scale Technology Certificates' which is like a discount voucher for your system. The number, and therefore the value of the certificates awarded to you depends on factors such as the size of your solar system and your location. By 2030 this scheme is likely to be completely phased out.

There are also differing state incentives such as rebates and interest-free loans. To find the programs available, refer to the Government's energy website.

What are the pros and cons of going off-grid?

Despite the costs listed, taking your home off the grid has never been more affordable than it is today. Solar power is a cost-effective way for homes to generate their own electricity in the long term. And, with battery costs coming down, the length of time from purchase to 'payback' is getting shorter and shorter.

What is the payback time?

Payback occurs when you have covered the cost of setting up an off-grid system via savings incurred from no longer having to pay utility bills.

It's important to remember that calculating the payback time for your solar and battery system depends on a number of factors, such as average sunshine hours in your location, individual consumption patterns, the future price of electricity (whether it will go up or down) and the size and cost of your system.

As a rough estimate, a five kilowatt solar system with a medium-sized battery will take the following number of years to pay back[1]:

City	Years
Adelaide	6.8
Sydney	8.1
Brisbane	9.0
Melbourne	10.5

From an environmental perspective, going off-grid halts your reliance on fossil fuels and creates a self-sustaining system of energy, water and waste management, which will heavily reduce your environmental footprint.

That being said, there are a number of things to be aware of before turning your back on the grid entirely. These include:

Roof limitations: make sure your roof has plenty of space to fit enough solar panels to go off-grid.

Maintenance costs: you will need to maintain and replace your systems as needed. For instance, solar batteries need to be replaced every six to 12 years, depending on usage.

Property value: not everyone is interested in off the grid systems and may see them as a deterrent to buying your home rather than an attraction, potentially pushing your house price down rather than up.

Going off-grid is a considerable investment and it may not be the right option for you and your family. There are a host of other changes you can implement to help reduce your impact and live a more environmentally-friendly life such as reducing the amount of meat you eat, not using disposable items such as plastic cutlery and reducing your electricity consumption.

If you're considering an off-grid lifestyle, contact us and we can help assess how it could affect your financial plan.

1 www.solarchoice.net.au/blog/home-solar-battery-storage-worth-it-2018

Super **dependants**

If you have a superannuation fund, you've probably been asked to nominate your beneficiary. But, super fund trustees can only pay your super death benefit to eligible dependants[1] or to the legal personal representative (LPR) of your estate. If you haven't elected a valid beneficiary the super fund trustee generally decides who your super goes to.

Here's what you and your family need to know about super dependants.

Who can you nominate as a super dependant?

Spouse

A spouse includes a legally married spouse or de facto spouse, both same sex and opposite sex.

A spouse can be a person you're legally married to but estranged or separated from. So, if you haven't formally ended a marriage, your husband or wife is still considered your dependant under superannuation law. And, while you can't be legally married to two people, it is still possible to have two spouses – a legally married spouse and a de facto spouse.

Child

A child includes an adopted child or a step-child.

Even though a step-child is included in the definition of a child, if you end the relationship with the natural parent or the natural parent dies, the child is no longer considered your step-child. However, they may still be considered a financial dependant or in an interdependency relationship with you and could therefore continue to be a beneficiary of your super.

Financial dependant

Generally, a person is financially dependent on you if the level of support you provide them is 'necessary and relied upon', so that if they didn't receive it, they would be severely disadvantaged rather than merely unable to afford a higher standard of living.

Interdependency relationship

Two people have an interdependency relationship if they live together and have a close personal relationship. One or each of them must also provide a level of financial support to the other and at least one of each of them needs to provide domestic and personal care to the other.

Two people may still have an interdependency relationship if they do not live together but have a close personal relationship. For example if they're separated due to disability or illness or due to a temporary absence, such as overseas employment.

Who is not a dependant?

A person is not a dependant if they are your parents or other friends or relatives who don't live with you and who are not financially dependent on you or in an interdependency relationship with you.

If you do not have a dependant you should direct your super to your LPR and prepare a Will which outlines your wishes.

Legal personal representative

An LPR is the person responsible for ensuring that various tasks are carried out on your behalf when you die. You can nominate an LPR by naming the person as the executor of your Will. Your Will should outline the proportions and the people you wish your estate, including your super, to go to.

If you're not sure of the best way to nominate your super beneficiaries please contact us and we can help.

[1] In this article a dependant refers to a 'SIS dependant' which is an eligible person under the *Superannuation Industry (Supervision) Act 1993* that a member may nominate as a beneficiary.

Source: Australian Executor Trustees

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