



# inTouch

Spring 2024

## Changes to super from 1 July 2024

We look at the changes to super rates and rules from 1 July 2024, including the increase to the Superannuation Guarantee (SG) rate and super contribution caps.

### Key Takeaways



- From 1 July 2024, the SG rate which determines the minimum percentage of your salary that your employer must contribute to your super fund, increased from 11% to 11.5%
- The cap on concessional (before-tax) super contributions increased from \$27,500 to \$30,000 per year
- The non-concessional (after-tax) super contributions cap increased from \$110,000 to \$120,000 from the 2024-25 financial year.

In this article we look at the changes to super rates for the financial year 2024-25, including the increase to the Superannuation Guarantee (SG) and super contributions caps.

Being aware of these changes can help you make more informed decisions when it comes to your retirement savings.

### Super Guarantee (SG) rate rise

If you are employed in Australia and meet eligibility requirements, you must be paid super by your employer. This is paid on top of your annual salary known as the Super Guarantee (SG).

One of the significant changes from 1 July 2024 is the SG rate increased from 11% to 11.5%. This rate will continue to increase until it reaches 12% on 1 July 2025.

### Changes to super contributions caps

There are a range of strategies you can implement to improve your retirement savings, like putting a little extra money into your super while you're still working.

Aside from the compulsory employer contributions, you can also make voluntary contributions to your super. These can be either before-tax (concessional) or after-tax (non-concessional).

The good news is the super contribution limits increased on 1 July 2024. This means you may have more opportunity to boost your super savings and have more for retirement.

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- Four ways active funds can potentially help to build wealth

The concessional and non-concessional contribution caps are summarised below:

| Contribution Caps                  | 2023-2024                        | 2024-2025                        |
|------------------------------------|----------------------------------|----------------------------------|
| Concessional Contributions Cap     | \$27,500                         | \$30,000                         |
| Non-Concessional Contributions Cap | \$110,000                        | \$120,000                        |
| Bring forward Non-Concessional Cap | \$330,000 over 3 financial years | \$360,000 over 3 financial years |

### Concessional (before-tax) contributions cap

Concessional contributions include compulsory super contributions made on your behalf by your employer, including salary sacrifice, as well as any personal contributions you make to super which you claim as a tax deduction.

There is a cap associated with concessional super contributions which is the maximum amount you can contribute to your super without being required to pay a higher tax rate.

The cap on concessional contributions increased from \$27,500 to \$30,000 for the financial year 2024-25.

### Carry forward concessional contributions

If you've had time out of work raising kids or for other lifestyle reasons, or you haven't had the money to boost your super until now, you could take advantage of carry forward concessional contributions (also known as catch-up contributions).

To be eligible for catch-up contributions, your total super balance at 30 June of the last financial year must have been below \$500,000.

If you're eligible, your concessional contribution cap for the financial year is the annual cap plus any unused concessional contribution caps for the last five financial years. Catch up contributions can help you to make up for past years where you may not have utilised all your concessional contributions cap.

If you have increased income for the financial year, taking advantage of the catch-up contributions can help you claim a larger tax deduction.

### Non-concessional (after-tax) contributions cap

From 1 July 2024, you may be able to add more into super by making personal, after-tax contributions with the cap increasing from \$110,000 to \$120,000 per year.

You can make additional contributions with your after-tax money – including those made from savings or your take-home pay.

To be eligible to make after-tax contributions you must be less than 75 years old and your total super balance last 30 June must be less than \$1.9 million.

### Non-concessional contributions bring forward rule

This rule relates to after-tax super contributions and may allow you to contribute more into super by bringing forward up to two years' worth of after-tax contributions in addition to the annual cap.

The total amount you have in super at the end 30 June of the last financial year will affect whether you are eligible to make any non-concessional contributions and if you have triggered the bring forward rule in the previous two financial years. Your total super balance also determines the maximum amount you can contribute.

For example, in 2024-25, if your total super balance is less than \$1.66 million at 30 June 2024, and you did not use the bring forward rule in the previous two financial years (FY 2022-23 and FY 2023-24), you may be able to contribute up to \$360,000 in 2024-25, three times the annual cap, using the bring forward rule.

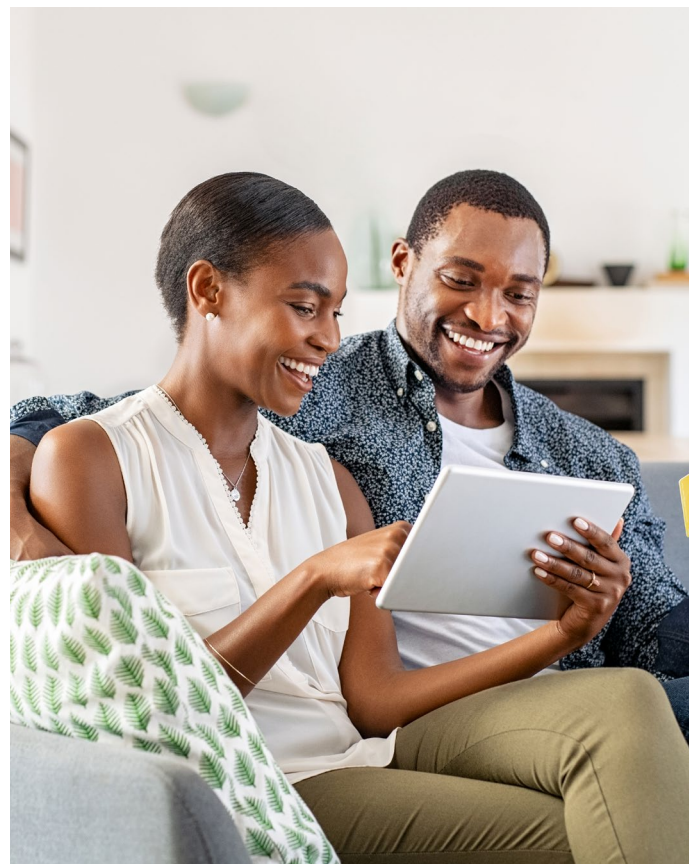
If your total super balance is between \$1.66 million and \$1.78 million, you can contribute up to \$240,000, and if your total super balance is above 1.78 million but less than \$1.9 million, the maximum you can contribute is \$120,000.

### Seek professional help

Super rules can be complicated to understand so speaking with a professional can help to give you peace of mind. Alternatively, for more information visit the Australian Taxation Office website at [ato.gov.au](http://ato.gov.au).

Financial Planners can tailor a super strategy that suits your circumstances and goals. They can also provide valuable insights into the most appropriate investment options and insurance coverage for you.

Bottom line: remaining informed about the changes to super rates and rules is key to securing a comfortable retirement. If you're unsure how it may benefit you, consider speaking to a professional.



# Four ways active funds can potentially help to build wealth

Investing in active funds can be a powerful strategy for building wealth over time. In this context, active funds are managed by professional portfolio managers who aim to outperform the market or a benchmark.

Here are four ways to potentially leverage active funds with the aim to enhance your investment portfolio.



## Diversified portfolio management

Most active funds offer the advantage of professional management and diversification. Fund managers actively research and select a variety of assets, aiming to balance risk and return. By investing in a mix of equities, bonds, and other securities, such active funds could potentially help mitigate the impact of market volatility.

This diversification may create an opportunity to reduce the risk associated with investing in individual stocks and potentially allow investors to achieve more stable and consistent growth.

1



## Capitalising on market opportunities

One of the benefits of active funds is the ability to capitalise on market opportunities. Active fund managers continuously analyse market trends and economic indicators to identify undervalued assets or sectors poised for growth.

This proactive approach allows investors to potentially earn higher returns by investing in promising opportunities before they are widely recognised. By trying to stay ahead of market movements, active funds have the potential to generate significant wealth over time.

2



## Risk management and adaptability

Some active fund managers have the flexibility to adjust their strategies in response to changing market conditions. This adaptability is helpful for managing risk and may help protect investments.

During periods of market uncertainty or downturns, certain active managers can reduce exposure to high-risk assets and aim to shift investments to safer alternatives. This proactive risk management can create an opportunity to preserve capital and aims to ensure that the portfolio remains resilient in the face of market fluctuations.

3



## Long-term growth potential

Some active funds are designed to aim to deliver long-term growth by strategically selecting assets and sectors. The expertise and experience of professional fund managers can potentially lead to better investment decisions and superior returns compared to passive funds.

By focusing on long-term growth, active funds can help investors build wealth over time. Additionally, the ability to reinvest dividends and capital gains within a fund can further enhance the compounding effect, potentially accelerating wealth accumulation.

4

## Conclusion

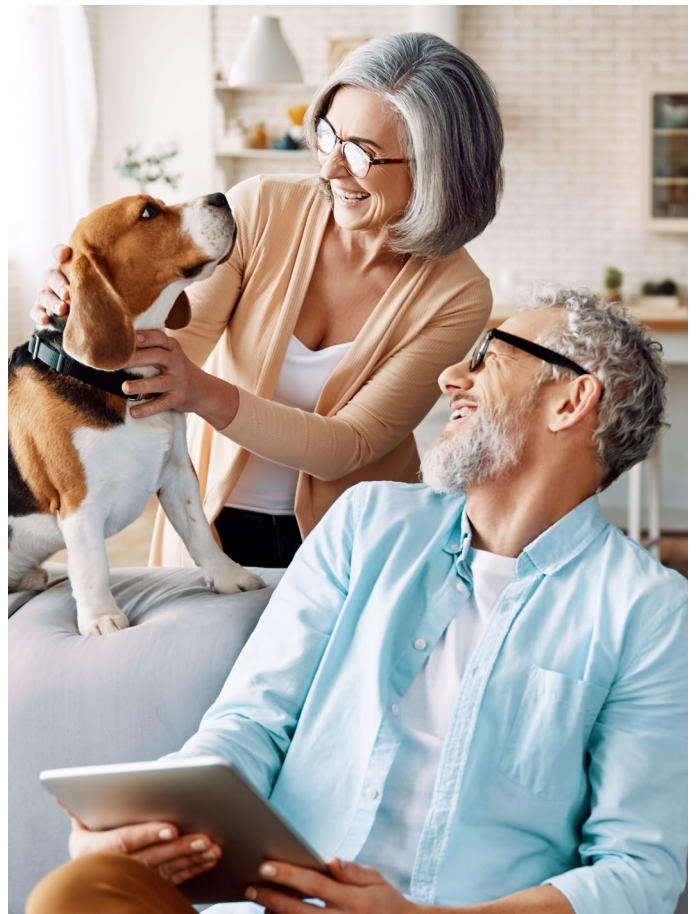
Building wealth using active funds requires careful selection and a long-term investment horizon. By leveraging the expertise of professional fund managers, investors can benefit from diversified portfolios, try to capitalise on market opportunities, manage risks more effectively, and seek to achieve long-term growth.

While active funds may come with higher fees compared to passive funds, the potential for superior returns makes them a valuable component of a robust wealth-building strategy.

Speak to your financial adviser to explore how active funds may fit in your portfolio.

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# Thinking ahead? Let's talk about strategies for creating a positive financial future.

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