Getting in early to make the most of End of Financial Year

It seems like June 30 rolls around quicker every year, so why wait until the last minute to get your personal finances in order?

With all the uncertainty and special support measures of the past two years, it's possible your finances have changed for better or for worse. So it's a good idea to ensure you're on track for the upcoming end-of-financial-year (EOFY).

Starting early is essential if you want to make the most of the opportunities on offer when it comes to your super and tax affairs.

New limits for super contributions

A key task for EOFY is maximising your super contributions to boost your retirement savings and take advantage of the available tax benefits. Annual contribution limits for super rose this financial year, so this strategy is even more attractive.

From 1 July 2021, most people's annual concessional contributions cap increased to $27,500 (up from $25,000). This allows you to contribute a bit extra into your super on a before-tax basis, potentially reducing your taxable income.

If you have any unused concessional contribution amounts from previous financial years and your super balance is less than $500,000, you may be able to "carry forward" these amounts to further top up.

Another strategy is to make a personal contribution for which you claim a tax deduction. These contributions count towards your $27,500 cap and were previously available only to the self-employed. To qualify, you must notify your super fund in writing of your intention to claim and receive acknowledgement.

Non-concessional super strategies

If you have some spare cash, it may also be worth taking advantage of the higher non-concessional (after-tax) contributions cap. From 1 July 2021, the general non concessional cap increased to $110,000 annually (up from $100,000).

These contributions can be a great help if you've reached your concessional contributions cap, received an inheritance, or have additional personal savings you would like to put into super. If you are aged 67 or older, however, you need to meet the requirements of the work test or work test exemption.

For those under age 67 (previously age 65) at any time during 2021-22, you may be able to use a bring-forward arrangement to make a contribution of up to $330,000 (three years x $110,000).

To take advantage of the bring-forward rule, your total super balance must have been less than $1.6 million at 30 June 2021. Some people can only access two years of bring-forward, so it's a good idea to talk to us before making your contribution.

More super things to think about

If you plan to make tax-effective super contributions through a salary sacrifice arrangement, now is a good time to discuss this with your employer, as the ATO requires an effective arrangement to be documented prior to commencement.

Another option if you're aged 65 and over and plan to sell your home is a downsizer contribution. You can contribute up to $300,000 ($600,000 for a couple) from the proceeds without meeting the work test.

And don't forget making a contribution into your low-income spouse's super account could score you a tax offset of up to $540.

To take advantage these super tax concessions, ensure your contributions meet all the eligibility rules and are received by your super fund well before June 30.

Know your tax deductions

It's also worth thinking beyond super, to see what else you can do to reduce tax.

If you've been working from home due to COVID-19, you can use the shortcut method to claim 80 cents per hour worked for your running expenses. But make sure you have detailed records of hours worked to substantiate your claim.

You also need to prepare supporting documents to claim work-related expenses such as car, travel, clothing and self-education. Check whether you qualify for other common expense deductions such as tools, equipment, union fees, the cost of managing your tax affairs, charity donations and income protection premiums.

Review your investment portfolio

After a year of strong investment market performance, now is also a good time to do a thorough analysis of your finances outside super.

Review your investment strategy, benchmark your portfolio's performance and check whether any assets need to be sold or purchased to rebalance the portfolio back into line with your strategy.

You might also consider realising any investment losses, as these can be offset against capital gains you made during the year.

There's a lot to think about, so if you would like to discuss EOFY strategies and super contributions, call our office.