

Financial Focus

Spring 2024 Edition



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.

In this issue

- Changes to super from 1 July 2024
- Heart and head: managing an inheritance

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.

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.



Heart and head: managing an inheritance

Receiving an inheritance brings greater responsibility than receiving any other form of financial windfall. It's a delicate, emotional pat, and one you should tread carefully.

Over the past 20 years, around \$1.35 trillion has been inherited by people in Australia¹ – and \$4.3 trillion in assets will change hands between now and 2050.² The average inheritance figure in Australia is \$125,000,³ with 80% of money passed down from parents landing with people in the 55-59 age bracket.⁴

While receiving a substantial windfall would usually be seen as a positive, when it follows the death of a parent or another person with whom you were close, it can be a time of great sadness – and significant responsibility, too.

In terms of what you do with the money itself, there are a number of aspects to consider, which will depend on your circumstances and your own time of life. Your financial adviser will be able to discuss these with you in depth.

However, there are also a number of other things to be mindful of when you receive an inheritance.

It's an emotional time

When you've lost a loved one, emotions are naturally heightened. Grief has been shown to rewire our brain in a way that has a detrimental effect on memory, cognition and concentration. It also impacts our ability to make 'good' decisions.⁵

Symptoms of 'grief brain' can last for a significant period of time. If they last for more than 12 months you may be diagnosed with prolonged grief disorder, and the longer these symptoms last, the more permanent those changes may become.⁶



Managing the family

While inheritances are often left with the best of intentions, they can be the source of family squabbles and disagreements – which only adds to the stress and sadness.

Estimates suggest that up to half of wills in Australia are contested,⁷ while a study from the University of Queensland found that 74% of those cases challenged in court, and 87% of those that entered mediation resulted in the will being changed.⁸

This is a difficult challenge to negotiate and work through. Aligning the instructions of the deceased with what is morally right and fair can be an unenviable task, as can managing the family dynamics that arise.

It's important to consider how any decisions you make may impact your relationships with other family members.

Aligning values

If you've inherited money, how you use it can be a bit more nuanced than if, for example, you'd had a lottery win. You'll likely want to use it in a way the person who left it to you would approve of and appreciate – as well as in a way that aligns with your own beliefs and values. Think about what mattered to the person who's left you an inheritance, too. Did they value travel, family support, philanthropy, the arts or other endeavours?

Sources: ¹Wealth transfers and their economic effects - Commission Research Paper - Productivity Commission (pc.gov.au) (90% of \$15T) ²The numbers don't lie - the rise and rise of inheritance claims (solomonhollettlawyers.com.au) ³Aussies would rather see parents spend nest egg on retirement than inherit it (9news.com.au) ⁴Inheritances as we know them are broken. This is how we fix them - ABC News ⁵Understanding Grief Brain | Psych Central ⁶Understanding Grief Brain | Psych Central ⁷<https://www.armstronglegal.com.au/contested-wills/contesting-a-will/how-to-stop-someone-contesting-a-will-in-australia/#:~:text=In%20fact%2C%20some%20estimates%20suggest,not%20adequately%20provide%20for%20the> ⁸What is the success rate of contesting a Will? - Heckenberg Lawyers (sydneywillslawyer.com.au)

Honouring and commemorating their life

We all care deeply about something. Whether it's animals or health, education or sports, there are elements within the tapestry of life we are passionate about. If the person who has passed on hasn't made provisions along these lines, then you might wish to consider doing something in their name – for example, making a donation to a charity, providing some books for the local school or providing some funds to a local sports team in their honour.

Inheriting important and valuable items

Of course, inheritances come in different shapes and sizes, and inheriting valuables that were precious and important to someone else brings with it its own set of challenges. Again, managing family dynamics sensitively will be crucial here. If you've inherited a business or something else that brings some responsibility with it, make sure you're able and willing to dedicate the time and effort required.

Consider the long-term

Receiving an inheritance can lead to some major changes in your lifestyle, and it's wise to consider how those changes might affect your day-to-day life, as well as your long-term plans. While it may be tempting to spend straight away, it's smart to take your time and make sure that the money is being used in the best possible way – both for you, your family and the person who left the inheritance to you.



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

Important information: