EOFY planning tips: Fine-tuning your personal finances

FIDUCIAN Financial Services
INTEGRITY • TRUST • EXPERTISE

With the end of financial year (EOFY) fast approaching, it's time to start getting everything in order and consider a review of your existing personal finances, and see if there is anything you can do that could benefit your financial situation, goals and objectives.

To help you prepare, continue reading to our top tax planning tips for the 2021/22 financial year.

1. Contributing to superannuation

Depending on your personal circumstances, it could be worthwhile contributing to superannuation if you are eligible and have the capacity to do so (contribution limits).

Concessional contributions

For 2021/22 the concessional contributions cap is $27,500 per annum, regardless of your age; however, this may be an appropriate time to consider whether to make personal deductible contributions.

The concessional contributions cap generally includes employer contributions (Superannuation Guarantee, voluntary and salary sacrifice) and personal deductible contributions.

In a nutshell, making concessional contributions to your superannuation could help you reduce your personal income tax and build wealth for retirement within a tax-effective environment (and, if applicable, purchase your first home via the First Home Super Saver Scheme).

Non-concessional contributions

The non-concessional contributions cap generally includes personal contributions not claimed as a tax deduction and spouse contributions, but excludes, for example, Government co-contributions, downsizer contributions and eligible small business sale proceeds up to CGT cap.

For 2021/22:

- The non-concessional contributions cap is $110,000 per annum. If you are under age 67 in a financial year, you may be able to use the '3-year bring forward rule' to bring forward your next 2 years of non-concessional caps and make up to $330,000 of non-concessional contributions. If you are not under age 67 in a financial year, the 3-year bring forward rule ceases to be available unless you started a bring-forward period in a previous financial year and it's still operational.
- No non-concessional contributions are allowed if your total superannuation balance as at June 30 of the prior financial year was $1,700,000 or more (and the 3-year bring forward rule phases out from $1,480,000).

Making non-concessional contributions to your superannuation will not reduce your personal income tax, but could help build wealth for retirement within a tax-effective environment.

Other contribution considerations

In addition to the above, you may also consider the following:

- Government co-contribution – you may be eligible for a co-contribution of up to $500 from the Government if you make non-concessional contributions to your superannuation
- Spouse contribution – you may be able to claim a tax offset of up to $540 if you make non-concessional contributions to your spouse's superannuation
- Contribution splitting – you may be able to arrange to transfer an amount of your concessional contributions from the previous financial year to your spouse's superannuation

2. Managing capital gains/losses

Depending on your personal circumstances, it could be worthwhile deferring the sale of an asset with an expected capital gain (and the applicable capital gains tax liability) to a future financial year. This could be beneficial if you expect that your income will be lower in the future compared to this year.

Importantly, regarding the sale of an asset (and the crystallisation of a capital gain), consider the following:

- If you defer the sale of an asset until it has been held for 12 months or more, you may be entitled to the 50% capital gains tax discount. Whereas, if you hold an asset for under 12 months, any capital gain made may be assessed in its entirety upon the sale.

- If you have a crystallised capital gain this year, you could review whether it's appropriate to offset this capital gain by using an existing capital loss (carried forward or otherwise) or selling an asset that is currently sitting at a loss.

Deferring the sale of an asset with an expected capital gain, and offsetting a crystallised capital gain with a capital loss, could help reduce your personal income tax.

Please note: *The above takes a tax planning perspective; however, when it comes to the sale of an asset that triggers a capital gain or loss, decisions should also be consistent with your overall investment strategy.*

3. Prepaying deductible interest or bringing forward deductible expenses

It could be worthwhile prepaying deductible interest or bringing forward deductible expenses if you expect that your income will be lower next financial year.

Below are a few areas you could consider applying this to:

- income protection insurance premiums
- interest payments on investment loans for things such as property or shares
- donations to charities endorsed by the ATO as 'deductible gift recipient' organisations
- work-related expenses, such as car, travel, and clothing expenses, and self-education expenses
- cost of repairs/maintenance to investment properties (rented out or available/advertised for rent)

Prepaying deductible interest or bringing forward deductible expenses could help reduce your personal income tax, fund further philanthropic endeavours, and protect wealth.

Moving forward

As you can see from above, with June 30 on the horizon, it's best not to leave your fine-tuning to the last minute!

Importantly, by seeking professional advice, an assessment can be made as to which EOFY planning tips may be appropriate for you. Start the conversation now with one of our Finance Planners so you can reach your finance goals.

Need more information?
If you would like professional assistance with your financial plan, contact us at fiducian.com.au

Disclaimer
This information has been provided by Fiducian Financial Services Pty Ltd ABN 46 094 765 134 of Level 4, 1 York Street, Sydney, NSW 2000, AFS and Australian Credit Licence no. 231103. Any advice in this document is general in nature and does not take into account your objectives, financial situation or needs. You should receive financial advice relevant to your circumstances before making any decisions.