

## Bring Forward Contributions

The ability to bring-forward future year entitlements to make non-concessional contributions has been in place for many years now. Prior to 1 July 2020 this could be done by anyone who was under 65 on 1st of July and met the total superannuation balance test and in certain circumstances the work test, all discussed below. Legislation was passed to increase the age from 65 to 67 years of age, effective from 1 July 2020. From 1 July 2023, if you are aged under 75 years at any time in the financial year, you may be eligible subject to conditions we will go through.

The idea of the bring-forward provisions is to allow individuals that have the capacity to make large contributions the opportunity to do so as a single lump sum rather than to spread the amount out over a number of years in line with the existing annual caps. As with anything, there are trade-offs.

It's effective for individuals who are approaching retirement who may want to make a larger one-off contribution. It may be due to receiving an inheritance, selling a home or selling a large asset such as their business, to name just a few reasons why an individual may have the capacity to contribute large amounts. Of course, superannuation and tax laws provide for other opportunities, such as downsizer and CGT concessional contributions that can enable extra funds to be put into super. These opportunities also come with many conditions and as such the bring-forward arrangements can be an easier option to use in a broad range of circumstances.

### What are the bring forward provisions?

Effectively an individual can bring-forward their non-concessional contributions cap from future years and use them earlier. The maximum amount that can be contributed is three (3) times the annual non-concessional contributions cap either as a one-off contribution or as multiple contributions over the allowable bring-forward period, the trigger being that a single contribution exceeds the standard non-concessional cap.

The provisions are only triggered if an individual exceeds the non-concessional contributions cap and is eligible to bring-forward subject to their total superannuation balance. Excess non-concessional contributions that are otherwise ineligible to trigger the bring-forward amounts are treated as excess contributions and will be subject to tax on associated earnings and a refund of the excess via the ATO.

One of the trade-offs of the bring-forward provisions are that by bringing forward future years an individual forgoes any indexation to the non-concessional cap that may otherwise apply in those years. That is a relevant discussion point as the non-concessional cap indexed from 1 July 2024 to \$120,000.

## How does the Total Superannuation Balance affect the bring forward amount and timing?

The Total Superannuation Balance (TSB) at 30 June of the previous financial year will determine an individual's eligibility to use the bring-forward provisions and importantly will dictate what the maximum non-concessional contribution cap is and for what period. The below table highlights how much can be contributed and over what period based on the contribution caps that apply to the 2024/25 financial year:

TSB at 30 June of prior financial year	Non-concessional contribution cap and bring forward period
< \$1.66m	\$360,000 over a 3-year period
> \$1.6m to < \$1.78m	\$240,000 over a 2-year period
> \$1.78m to < \$1.9m	\$120,000 (with no bring forward period)
> \$1.9m	Not eligible to make non-concessional contributions without creating excess contributions

A trap of the bring-forward provisions is that the capacity to contribute each year is based on the prior year total superannuation balance. As a result, triggering the bring-forward provides the best outcome to those who can contribute the full amount in the first year.

If for example (prior to indexation on 1 July 2024) an individual has less than \$1,600,000 and subsequently contributes \$200,000 in the first year, their capacity to contribute another \$160,000 in the following year will be reliant on their balance not exceeding \$1,900,000 at 30 June 2025.

### How does the age of the member affect it?

Individuals aged 75 or above are not able to make non-concessional contributions, unless the contribution is received on or before 28 days after the end of the month in which they turn 75 years old.

### How does the work test fit in?

Members aged under 75 are not required to meet work test requirements.

## Bring-forward Case study

### Facts

- Member is 64 years of age at 1 July 2024
- They turn 65 years of age on 8th February 2025
- As at 30 June 2024 their Total Superannuation Balance is \$800,000
- They have not made any non-concessional contributions in the last 5 years
- Not worked since 63 years of age
- They will have \$300,000 from an inheritance to contribute to super but unsure on timing of when the funds will be available
- They will have \$150,000 by 31st December 2024 and the timing of the balance is unknown pending the finalisation of the estate

### What rules do we need to consider?

- The cap needs to be exceeded in year 1 to trigger the bring-forward provisions. There will be \$150,000 available initially to contribute which will exceed the cap and trigger the bring-forward period.
- The bring-forward provisions can't have already been triggered in one of the prior 2 financial years, as they have not made any non-concessional contributions so they will meet this requirement.
- The TSB is less than \$1.66 million as at the previous 30 June so the non-concessional contributions cap and bring-forward period can be \$360,000 over 3 years.
- \$150,000 can be contributed to super around December 2024 to trigger the bring forward provisions for 2024/25, 2025/26 and 2026/27.

## Indexation

The bring-forward provisions are guided by two different caps. The concessional contribution cap, currently \$30,000, dictates the annual non-concessional cap. From 1 July 2024, the non-concessional contributions cap increased to \$120,000, making the 3 year limit \$360,000.

## Conclusion

As can be noted, changing the age at which the bring-forward arrangements can be utilised will give individuals approaching retirement more scope to plan and longer to contribute. Understanding the how the bring-forward rules work and how the rules are aligned to the total superannuation balance and work test can be what creates inadvertent breaches of the non-concessional rules.

Indexation of the general transfer balance cap and indexation of the concessional (and non-concessional) contributions caps will also have a major effect on future strategies and planning to maximise retirement income.

The information in this fact sheet is provided by SuperGuardian Pty Ltd AFSL No 485643 (SuperGuardian) and is current as at 19 November 2024. We do not warrant that the information in this fact sheet is accurate, complete or suitable for your needs and for this reason you should not rely on it. This fact sheet may contain general advice, which has been prepared without taking your personal objectives, financial situation or needs into account. Before acting on this general advice, you should consider the appropriateness of it having regard to your personal objectives, financial situation or needs. You should obtain and read the Product Disclosure Statement (PDS) before making any decision to acquire any financial product referred to in this fact sheet. Please refer to SuperGuardian's FSG (available at <https://www.superguardian.com.au/pdfs/Financial-Services-Guide.pdf>) for contact information and information about remuneration and associations with product issuers. Any copyright or intellectual property in the materials contained in this fact sheet vests with SuperGuardian and you cannot reproduce or distribute it without first obtaining SuperGuardian's prior written consent.