The following contribution limits affect the defined benefit portion of your account

Your notional contribution

For defined benefit members, the trustee is required to calculate a notional contribution, which will count towards your concessional contributions cap.

Because the value of your benefit is not directly linked to the actual contribution being paid by you or your employer, the notional contribution includes a notional value financed by your employer.

This amount is determined by the trustee’s actuary who uses a formula set by the government, and is reported to the Australian Taxation Office. Based on this formula, our actuary has confirmed that the notional contribution for all defined benefit members (after allowing for member contributions) is as follows:

Notional contributions for the year ending 30 June 2022: $0

The following contribution limits affect your defined benefit member contributions and your accumulation account

These limits apply in total across all the funds to which you contribute, they are not a cap for each fund.

Funds will be required to report concessional and non-concessional contributions to the ATO. The ATO will issue notices to members if the relevant contribution caps have been exceeded.

Concessional contribution cap

The amount of before-tax contributions (which includes employer and any salary sacrifice contributions) contributed to your super each year is subject to a limit, known as the concessional contribution cap.

The cap on concessional contributions is $27,500 a year.

Individuals with an annual income (including concessional contributions) higher than $250,000 will effectively be taxed at 30% rather than 15% on their concessional contributions. The additional tax only applies to those contributions that, when added to your income, exceed $250,000.
Non-concessional contribution cap

The amount of after-tax contributions (includes your 3%, 3.5%, 4% or 6% member contributions) and any personal contributions you contribute to any other super account you hold are also subject to an annual limit, known as the non-concessional contributions cap.

The cap on non-concessional contributions is $110,000 a year.

If you were 66 or younger at the start of the financial year, you may be able to use the ‘bring forward’ rule to make up to three years’ worth of contributions (i.e. up to $330,000) in a single year. (This applies to your accumulation account.)

Your total super balance will need to be below $1.48 million as at the end of 30 June of the previous financial year to contribute up to the full $330,000; or between $1.48 million to $1.59 million to contribute up to $220,000.

If you triggered the bring forward rules in the previous two financial years, you will be limited to the caps applying at that time.

If your total superannuation balance was $1.7 million or more as at the end of 30 June of the previous financial year, any non-concessional contributions you make will be treated by the ATO as exceeding the cap. If you are required to make non-concessional contributions to your defined benefit account to maintain the growth of your benefit entitlement, these will be deemed excess contributions and may be taxed at the top marginal tax rate of 47%.

Your options

To avoid the excess tax you may elect to withdraw an offsetting amount from an accumulation account. The earnings on the excess contributions will need to be included as assessable income in your tax return. Alternatively, you may reduce your member contribution rate to zero which means your benefit entitlement will only grow in line with salary increases. Before making any decision about your defined benefit account please contact us. One of our financial planners can talk to you about your options.

Important information

Personal advice requires the provider to act in the client’s best interests and take into account the client’s circumstances. These rules do not apply to general advice. This communication contains general advice only and no personal advice. We have not taken into consideration any of your objectives, financial situation or needs or any information we hold about you when providing this general advice. Further this communication does not contain, and should not be read as containing, any recommendations to you in relation to your product. Before taking any action, you should consider whether the general advice contained in this communication is appropriate to you having regard to your circumstances and needs, and seek appropriate professional advice if you think you need it. Contact us to make an appointment to see one of our representatives. You should also read our product disclosure statement before making a decision about Aware Super. Call us or visit our website for a copy. Issued by Aware Super Pty Ltd ABN 11 118 202 672, AFSL 293340, the trustee of Aware Super ABN 53 226 460 365. Financial planning services are provided by our wholly owned financial planning business Aware Financial Services Australia Limited, ABN 86 003 742 756, AFSL No. 238430. You should read their Financial Services Guide before making a decision.