Infosheet

Selectus™

First Home Super Saver Scheme

Save at least 30%[1] more for your first home by depositing into your super fund rather than a bank account! **Here's how.**

THE BENEFITS

- Contributions made into the scheme through salary packaging are taxed at only 15%[2].
- Receive a 30% tax reduction[3] on these withdrawn contributions and associated earnings.
- Contribute up to $30,000[4] or $60,000[5] as a couple.

HOW DOES IT WORK?

The structure of a super fund means it can generate better earnings on your savings than a term deposit bank account. And making additional voluntary contributions from your pre-tax income (also known as concessional contributions) is likely to save you even more thanks to the reduced amount of tax you pay.

Voluntary contributions from your pre-tax income can be made via a salary packaging arrangement with Selectus, and cannot exceed a total of $25,000 per year (including the compulsory 9.5% employer contributions).

When you're ready – and whether you've found a property or not – you can apply to withdraw any voluntary contributions (excluding employer contributions) made after 1 July 2017 for a first home deposit. You will have 12 months to use the funds, or you can apply to the Australian Tax Office (ATO) for a 12-month extension.

If you don't use the funds during this time you can either:

- contribute the money back into your superannuation as a non-concessional contribution, which will count towards your non-concessional contribution cap; or
- pay the FHSS tax (20%) and keep the funds.

The maximum contribution that can be withdrawn under the FHSSS is $15,000 per financial year and $30,000 in total, plus the earnings on those funds. By contributing the highest amount for at least two years, you can maximise the benefit of this scheme. The contribution limits mentioned apply to individuals so couples can receive twice the benefit.

SAVINGS EXAMPLE

Let's compare the difference in savings Michael will make via the FHSSS, compared to savings via a term deposit bank account.

	Bank account	Compared to Super Saver Scheme
Annual salary	$65,000	**$65,000**
Pre-tax super contribution per year	$0	**$10,000**
After tax contribution per year (equivalent of $10,000 pre-tax)	**$6,400**[6]	$0
Savings after 3 years	$19,519[7]	**$25,833**[8]
Difference in savings after 3 years	$0	**$6,314**

Michael is **$6,314** (over 30%) better off by saving in the super saver scheme.

THINGS TO CONSIDER

Anyone can make voluntary contributions to superannuation. However, you can only apply to have funds released under the FHSSS, if you:

- are 18 years or older
- have not used the FHSSS before
- have never owned property in Australia before[1] (this includes interest in a private, investment or commercial property or interest via a company title).

You can participate in the FHSSS if you meet all of the above criteria, even if you plan to purchase with a partner, who does not meet the criteria.

Talk to us today to find out more 1300 01 02 03 | selectus.com.au

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FREQUENTLY ASKED QUESTIONS

What are voluntary contributions?

Voluntary contributions are those made by you which are in addition to your employer contributions. The total pre-tax contributions anyone can make a year is $25,000 – this includes what your employer contributes (9.5% of your salary).

How can I make my contributions?

To maximise your tax savings, voluntary contributions can be made via a salary packaging arrangement, whereby you arrange with your employer to have an amount taken from your wages before tax is calculated. These contributions (also known as concessional contributions) are taxed at 15% in your super fund.

How does the FHSSS boost my deposit?

See the savings example on page 1.

When can I withdraw my savings?

You can withdraw any voluntary contributions (made after July 1, 2017) when you are ready to buy a home. The ATO will confirm the maximum amount of eligible contributions and associated earnings you can withdraw (referred to as the FHSS maximum release value). You need to buy or construct a home within 12 months of withdrawal, however the ATO has discretion to extend this for 12 months if required.

How do I get access to my savings?

Before entering a contract to purchase a property or commence construction, you can apply to the ATO to have the money released. The ATO will then arrange for your super fund to release your savings and make a payment to you.

Will I need to pay tax on the money released?

Released concessional contributions and associated earnings will be added to your assessable income for the year and taxed at your marginal tax rate less a 30% tax offset.

The ATO will withhold an estimate of the tax owed on the withdrawal amount and your payment summary will show the amount of tax withheld. You need to include this amount in your tax return for the year you request the release.

Will this affect my family tax benefit and child support?

Your FHSSS released amount is not included in your assessable income for calculating family assistance and child support payments.

What kind of property can I buy?

You must use the money to purchase or construct residential premises (this includes vacant land, if you're planning to build). Apply to the ATO before entering a contract to purchase or build (but definitely no later than 28 days after entering a contract). You must also occupy the premises for at least six months in the year after purchase (or construction).

The FHSSS funds cannot be used to purchase:

- any premises not capable of being occupied as a residence
- an investment property
- a houseboat
- a motor home.

[1] For most people, the First Home Super Saver Scheme could boost the savings they can put towards a deposit by at least 30% compared with saving through a standard term deposit account. This is due to the concessional tax treatment and the higher rate of earnings often realised within superannuation. Refer to the savings example provided above. [2] Voluntary Concessional Contributions (before tax) made through salary packaging are being taxed at a maximum of 15% as opposed to the member's marginal tax rate. [3] Concessional contributions and earnings that are withdrawn are taxed at marginal rates less a 30% offset. [4] Voluntary contributions cap of $15,000 per year applies. Concessional super contribution cap of $25,000 applies. [5] Couples are eligible to participate, meaning they can make extra super contributions individually (together contributing up to $60,000), with the intent of withdrawing it to use for a deposit on their first home. [6] Includes low income tax offset. [7] The interest rate paid on savings in a term deposit account is assumed to be fixed at 2% per annum (this reflects average retail deposit rates in April 2017). For more information visit www.budget.gov.au/estimator/ [8] The deemed earnings rate applied to savings in superannuation is fixed at the shortfall interest charge (SIC) rate for April to June 2017 (4.78% per annum). For more information visit www.budget.gov.au/estimator/