In your 20s, 30s, or 40s? The super rules that apply to you

There are lots of rules when it comes to our super system. But not every rule applies to you at every age, so it's worth figuring out which ones impact your age group.

The rules at different ages govern how much and when you can contribute to super, when you can get your hands on your savings and how much tax you will pay. These rules are designed to ensure super is used for its intended purpose – to provide retirement income – in exchange for the generous tax benefits on offer.

Super rules if you're in your 20s, 30s and 40s

The super system is designed to help you save money for your retirement over your entire working life. It holds money contributed by you and your employer and will help supplement your income during your retirement years.

In the years leading up to age 50, there are no super rules applying specifically to your age group. Nevertheless, these are the years when you should pay attention to your super account to ensure it's growing steadily, and your fund is providing you with the returns and services you need.

The rules that do apply to your super during these years are split between those covering:

- When money goes into your super account (contributions)
- When money comes out (withdrawing).

1. Contributing to your super

<u>Superannuation Guarantee (SG)</u>

Once you are aged 18, your employer must pay SG contributions (10.5% in 2022–23) on your behalf into your super account. The SG contribution rate is currently legislated to rise incrementally to 12% in July 2025.

If you meet the eligibility conditions, SG contributions are payable no matter whether you are classed as working full time, part time or as a casual, and if you are a temporary resident. If you are a contractor paid 'wholly or principally for labour', you may be considered an employee for super purposes and entitled to SG payments.

If you work in a private or domestic capacity (for example, as a paid nanny), you still need to work more than 30 hours per week to qualify for employer-paid SG contributions.

Your employer is not required to make SG contributions on your behalf if you don't meet the SG eligibility conditions.

Super fund stapling

From 1 November 2021, if you start a new job you must tell your employer which super fund you would like them to make regular SG contributions into on your behalf.

If you don't advise your employer of your choice of super fund, they are required to check with the ATO to see if you have any existing super accounts into which they can make their SG contributions. This existing super fund account is called your stapled account, as it is linked to you and follows you as you change jobs.

Stapling is designed to stop new super accounts being opened every time you change employer, so you don't end up paying multiple account fees. You are free to change your stapled account at any time by providing your employer with the details of your preferred super fund.

Contributions caps

There are annual limits or caps on the amount of money you and your employer can contribute into your super account.

From 1 July 2021, the annual general concessional (before-tax) contributions cap is $27,500 for everyone, regardless of their age.

Some people may have a higher annual concessional contributions cap for a particular year. From 1 July 2018, you can make carry-forward concessional contributions if you qualify. Carry-forward contributions allow you to use any of your unused annual concessional contributions cap for up to five years to make a larger concessional contribution.

From 1 July 2021, the annual general non-concessional (after-tax) contributions cap is $110,000. Your personal non-concessional contributions cap may be different depending on how much you already have in the super system.

As you are under age 75, you may also be able to contribute up to three years of your annual non-concessional cap in a single year. Using the bring-forward rule, you can contribute up to $330,000 ($110,000 x 3 years = $330,000) in a single year. The actual amount you may be able to contribute using the bring-forward rule depends on your current Total Superannuation Balance (TSB).

Personal (or voluntary) tax-deductible super contributions

From 1 July 2017, most people in this age group – whatever their employment status – can claim a tax deduction for personal voluntary contributions they make into their super account.

If you've got cash to spare and would like to boost your retirement savings, making a tax-deductible voluntary super contribution can be a great way to do it during the early years of your working life.

At this time in your life, you don't need to worry about the work test if you are making a personal tax-deductible super contribution. It's worth keeping in mind that from 1 July 2022, once you hit age 67 you are required to be 'gainfully employed' to make this type of super contribution.

First Home Super Saver Scheme (FHSSS)

Buying your first home is usually a high priority during these years, so the government's FHSSS could be a useful way to save part of your deposit inside the lower-taxed environment of the super system.

Your FHSSS contributions are counted towards your concessional or non-concessional super contributions caps. From 1 July 2022, you are eligible to apply to release up to $50,000 from your super account under the FHSSS. Until 30 June 2022, you were only permitted to release up to $30,000 from the FHSSS.

Self-managed super funds (SMSFs)

If you are in your 20s, 30s and 40s and interested in taking more control of your retirement savings, it could be worth thinking about establishing your own SMSF. However, it's important to be award SMSFs must adhere to lots of rules and you will have the ATO looking over your shoulder.

An SMSF can have no more than six members at any one time and no member can be an employee of another member unless they are related.

You can't be a trustee of an SMSF if you have been convicted of an offence involving dishonest conduct, been subject to a civil penalty under super law, are insolvent or an undischarged bankrupt, or been disqualified from acting as a trustee of a super fund.

2. Withdrawing your super

Getting your money

To access your super, you need to have reached your preservation age and have met a condition of release.

If you are in your 20s, 30s and 40s, your preservation age is 60 as you were born after 1 July 1964.

Hardship, compassionate and COVID-19 provisions

If you're in your 20s, 30s or 40s, it may be possible to access some of your super early if you are suffering severe financial hardship, provided you meet strict eligibility conditions.

You can also apply for early release based on compassionate grounds in certain circumstances, such as paying for some medical treatments or palliative care, making mortgage payments to prevent losing your home and paying for funeral expenses.

During 2019–20 and 2020–21, the government permitted super fund members impacted by COVID-19 to withdraw up to $20,000 from their super account if they met strict eligibility criteria.

From 1 July 2021 to 30 June 2030, people who used this measure to release money from their super account are able to recontribute the money into their super account without it counting towards their annual non-concessional contributions cap. If you choose to recontribute your COVID-19 withdrawal amount, you can't claim the contribution as a personal tax deduction, and it's limited to the amount you took out.