Superannuation

First Home Super Saver Scheme

Aon Financial Education Series

The First Home Super Saver (FHSS) scheme was introduced by the Australian Government in the Federal Budget 2017–18 to reduce pressure on housing affordability. The FHSS scheme aims to help first home buyer to save for their first home by taking advantage of the concessional tax arrangements in the super system.

How does this work?

From 1 July 2017, the FHSS scheme allows you to make voluntary superannuation contributions (concessional or non-concessional) under the existing contribution rules and caps. You can subsequently withdraw these contributions, with the associated earnings, to assist with the purchase of your first home. The first voluntary contributions under can be withdrawn under the FHSS scheme is from 1 July 2018.

You can apply to have a maximum of $15,000 of your voluntary contributions from any one financial year included in your eligible contributions to be released under the FHSS scheme, up to a total of $30,000 contributions across all years.

Eligibility for the FHSS scheme

To be eligible under this scheme, you must be at least 18 years old and have not owned a home before or, if you have, the Commissioner of Taxation needs to have determined that you have suffered financial hardship and are eligible for the FHSS scheme.

In addition, you must intend to live in the property as soon as practicable after buying it. That is, after your savings have been withdrawn, you will only have up to 12 months to purchase, or start building, a home.

Advantages of the FHSS scheme

- Couples are eligible to participate together in the scheme, meaning you can each take advantage of the allowed super contributions and then withdraw your respective savings and combine them into the one home deposit.
- You may be able to earn a higher return on the money saved as earnings generally achieved from a super fund are usually higher than what you may get from a regular savings account.
- You can use before-tax income to salary sacrifice the contributions into your super. Money saved in this way will be taxed at only 15%, less than the marginal tax rate of most people who will use the scheme. When it's time to withdraw these savings, you'll be taxed at your marginal tax rate less a 30% offset.
- Withdrawals made won't impact social security entitlements or be used for other income tests used by the ATO. That is, withdrawals will not be included in the calculation of any repayments you need to make for HECS/HELP debts, or in the income tests used to calculate social security entitlements such as family tax and child care benefits.

Disadvantages of the FHSS scheme

- The investment earnings allowed to be withdrawn are deemed by the ATO (at the moment the 90-day bank bills plus 3% is used), rather than based on what was actually earnt.
- You are only allowed to save up to $15,000 per year and a maximum total of $30,000. This may not be enough to help fund your home purchase.

To find out how this could help boost your first home savings we recommend you talk to your adviser.