Saving for your first home with your super

Saving for a home can be a challenging prospect especially if you're a first home buyer wanting to secure a place on the property ladder. So the recent introduction of the First Home Super Saving Scheme (or FHSSS) could be an opportunity to secure a small boost for your first home deposit.

How does it work?

Under the FHSSS, from 1 July 2018 you can apply to the Commissioner of Taxation to withdraw up to $30,000 of eligible contributions (plus any associated earnings) made to your super since 1 July 2017 to help you purchase your first home.

What else do I need to know?

- The government has limited the amount you can withdraw each financial year to $15,000 and a limit of $30,000 in total across all years. This means if you made $18,000 of contributions during a financial year, you could only withdraw $15,000 that year.

- Voluntary contributions include both before-tax (salary sacrifice contributions and personal contributions where a tax deduction is claimed) and after-tax contributions (or where a tax deduction has not been claimed).

- Associated earnings are calculated using a deemed rate of return set by the Australian Tax Office every three months, not the actual earnings on your super account

- Contribution caps still apply. This means that if you contribute the maximum $15,000 per year to save for your first home during 2017-2018, you can only contribute $10,000 more of before-tax contributions to your super that year (noting that superannuation guarantee payments made by your employer contribute to your total before-tax contributions).

- The amount you withdraw for your first home deposit will be taxed at your marginal rate (including Medicare levy) less a 30% offset.

Am I eligible?

To qualify for the FHSSS you must:

- Have not previously owned property in Australia (or if you have previously owned property in Australia, the Commissioner of Taxation has determined you have suffered a financial hardship as specified by regulations) – this includes an investment property, commercial property, a lease of land or a company title interest in land in Australia
- Have not previously released FHSS funds
- Either live or intend to live in the property you're buying as soon as practicable

- Intend to live in the property for at least six months of the first 12 months you own it, after it is practical to move in
- Not be using FHSS amounts to purchase vacant land, a houseboat, a motor home, or any property not capable of being occupied as a residence; and
- Haven't previously requested release of money under the FHSSS.

To find out more

Please visit the ATO's website to find out more, including how you can apply.

This information is current as at 1 May 2018.

This information is of a general nature and is not intended to provide you with financial advice or take into account your personal objectives, financial situation or needs. Before acting on the information, consider its appropriateness to your circumstances and read the product disclosure statement (PDS), available at australianethical.com.au/super/pds. You may wish to seek independent financial advice from a licensed financial adviser or tax adviser before making any decisions.