How Can You Save For Your First Home Faster?

It's certainly a challenge trying to save for your first home in today's financial climate. Add to that other expenses, such as car, rent and utilities, and it's even harder to save the deposit you'll need for your first home. Your registered tax accountant can offer you assistance.

Help is at hand.

Did you know that your superannuation can be used as a pseudo savings account to help build your house deposit quickly and with less tax?

Enter the First Home Super Saver (FHSS) Scheme

If you're on the market to buy your first home, you can withdraw $15,000 of voluntary super contributions per financial year to put towards a home deposit. If you're eligible, the maximum amount of contributions that can be withdrawn under the scheme is broadly $30,000 for individuals, or $60,000 for couples.

How does the FHSS scheme work?

When you salary-sacrifice using your super fund, you pay less tax. This means you can build a bigger deposit more quickly. If you're a couple, you can both use the scheme so you could double the amount you save, up to $60,000. Additional voluntary concessional (before-tax) and non-concessional (after-tax) contributions into your super fund can also be made, with the purpose of saving for your first home.

Before-Tax Concessions

The great news is that if you voluntarily contribute into your super account using your pre-tax income, your tax rate is reduced to 15%, rather than your marginal tax rate which could be as high as 48.5% including medicare levy and surcharge, depending on your income.

After-Tax Concessions

You can contribute into your super using money from your regular bank account, savings, inheritance or from the proceeds of an asset after tax has been applied. After-tax contributions, which have already been taxed outside super, are not taxed again inside super.

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How do I qualify for the FHSS scheme?

You must be 18 years and over
- Your savings must only be used to purchase your first property
- You must never have bought property before in Australia
- You must only purchase property in Australia
- You must live in your property for at least six months
- You can only use the scheme once
- You can sign a contract to build or buy your home and request the release of your FHSS money up to 14 days prior
- You have 12 months from the date of your request for your FHSS money to purchase or build your home
- Additional rules may apply to your situation, so make sure you do your research before making any decisions

How do I withdraw contributions?

When you withdraw your savings to purchase your first home under the FHSS scheme, you will receive a 30% tax offset, while amounts that are contributed as after-tax contributions aren't subject to additional tax. This means more money for you to use. Note, tax will apply to associated earnings.

Buying a house is complicated enough and it's nice to know you don't have to set up your FHSS scheme all on your own. Help is at hand. Your registered tax agent can help to set up your voluntary contributions and then to request your money from the ATO on your behalf when it's time to take that all important step towards your first home.

ITP The Income Tax Professionals tax accountants have over 240 offices throughout Australia and have been maximising tax returns for Australians for nearly 50 years. Book your appointment today and speak to someone who knows.