# A handy guide to the

# First Home Super Saver Scheme

## How your super can help you buy your first home

Rest

## If you've opened the first page of this guide, it's probably because you're thinking about buying your first home (and trust us, we know there's a lot to think about).

With property prices climbing over the past few years, saving a deposit might seem almost out of reach for some.

But we do have some great news: there are some ways to help get you into the property market sooner. State and Federal governments offer various incentives, and it might surprise you to know that your own super could play a big role in helping you save for your first home.

The First Home Super Saver (FHSS) scheme is an Australian Government programme to help eligible first home buyers build up a deposit by using their superannuation.

There are a few criteria you'll need to meet to use the FHSS scheme. So we've put together this guide to help you get your head around the scheme and how it fits into the home-buying process.

# Your home buying journey

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## Congratulations, you're a homeowner!


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# Getting started: Working out your current financial position

## Where I stand now, and what I need to save

When you're saving for your first home, tallying up all your financial ins and outs may be a good place to start. This can help you get a full picture of what your financial position is now, so you can figure out where you need to get to.

Getting the money together to buy your first home can mean you draw on a combination of sources. It could include a mix from your savings, super, and a boost from a state or federal government scheme (if you're eligible).

But savings, super, and government programmes aren't the only things that lenders look at to decide whether they'll give you a mortgage. They'll want to know the full picture, including your income, your current debt, and your ability to pay back the loan.

So, here are some key things you, and your lender, will likely use to determine if your finances are up to buying your first home.

## 1. Debt-to-income ratio (DTI)

Your DTI compares all the debt you have to your total income and arrives at a number that allows mortgage lenders to decide how much they'll give you, and how able you are to manage the repayments.

In general, the lower your DTI the more attractive you are to a potential lender. As this is a guide only, be sure to check with your financial adviser, lender, or bank for current advice specific to your situation. The Federal Government's site is also a valuable source for the latest stats and rules.

## 2. Deposit

A good rule of thumb for a deposit is 20% of the purchase price, plus enough to cover the costs that come with it, which can include significant extras like Stamp Duty and other fees.

Some lenders may accept a lower deposit, but that means your loan will be bigger. Speaking to your lender or a licensed mortgage broker early to learn more about available options can help with your planning, and paying a smaller deposit may mean you have to pay Lender's Mortgage Insurance (LMI).

## 3. Lender's Mortgage Insurance (LMI)

LMI covers your lender for the money you would owe them should you default on your loan. It's a cost you're likely to incur when your Loan to Value Ratio (LVR) is high – for example if you need to borrow more than 80% of the value of your house (including the costs and taxes for the purchase).

It's a one-off fee that you can pay either as a lump sum on settlement or included in your loan and paid off over time. If you add the LMI payment to your loan, you'll be charged interest on it. How much LMI you pay will depend on how high your LVR is. Check with your lender, or get more information from their website for the latest rates and further reading.

## 4. Stamp/transfer duty

Stamp duty is a State Government tax, and how much you'll need to pay depends on where you live. As a guide for first-time buyers, it's usually around 3-4% of the property value, but check

your State Government website for the rate specific to your situation. You may also be eligible for a stamp duty concession, which is based on the value of your home. Check what your state offers on the next page.

Turn the page for helpful checklists, calculators and state-by-state links to help you organise your financial information and give you a better idea of where you stand.

**Tip:** Use Rest's FHSS calculator to see if you can save for your new home more tax effectively.

While this calculator is useful to assist you with making decisions about your saving plan, it is not intended to be relied upon for the purposes of making decisions about contributing to the First Home Super Saver Scheme. Therefore, you should consider obtaining personal financial advice.

# 2

# Check for a government boost

## Do you qualify for concessions or tax breaks?

The Commonwealth and state governments offer several financial incentive schemes to eligible first-time home buyers. Over the next few pages, you'll find useful info and links to help you take advantage of them.

## The First Home Buyers Guarantee Scheme (FHGS)

If you meet the federal government's criteria, you can deposit as little as 5% and they'll guarantee part of your loan with a participating lender. Each financial year, thousands of eligible Australians get onto the property ladder this way.

## Stamp duty concession

You may also be eligible for a stamp duty concession, which is based on the value of your home among other factors. How much you pay differs from state to state. Check what your state or territory offers here:

Queensland
New South Wales
ACT
Victoria
Tasmania
South Australia
Western Australia
Northern Territory

## The First Homeowner's Grant (FHOG)

Each state and territory has its own FHOG eligibility rules, even though it's a Commonwealth government programme. It's a one-off grant, and how much you're paid will depend on which state you live in.

Queensland
NSW
ACT
Victoria
Tasmania
South Australia
Western Australia
Northern Territory

## First Home Super Saver (FHSS) scheme

If you're an eligible first home buyer, you could save money inside your super to pay for your deposit under the FHSS scheme. You may be able to benefit from potential tax savings when you make your savings inside your super by making extra contributions yourself or asking your employer to salary sacrifice on your behalf. It's important to note that the money you save in super can only be accessed in specific circumstances and you should consider whether making extra contributions to use the scheme is right for you. Over the next few pages, you can find information to help you explore if this is right for you and, if so, how it generally works.

# 3

# Understanding the First Home Super Saver (FHSS) scheme

## What is the FHSS scheme and why should I consider it?

By now, you're probably ready to know the ins and outs of the FHSS scheme. Keep reading to get an idea of what this scheme is all about, how it works, and whether it's right for you.

## What is the First Home Super Saver scheme?

The FHSS scheme can be used to save money inside your super fund to help buy your first home. If you are eligible, it allows you to take out up to a certain limit of the extra money you've added into your super since 1 July 2017 (above and beyond your Super Guarantee payments made by your employer/s) and use it to help fund part of your deposit.

## Am I eligible?

You may be able to release eligible super contributions if:

- you're 18 years old or above and a member of an Australian super fund
- you've never owned property in Australia (Note: if you've previously owned a property in Australia but experienced financial hardship that resulted in the loss of all property interest, talk to the ATO as you may still be eligible)
- you've never previously used the FHSS scheme
- you plan to live in the property as soon as practicable and for at least six months within the first year of owning it
- you are planning to buy a property in Australia only

## What can I withdraw (eligible contributions)?

**Remember:** You can only take out under the scheme any extra contributions you made after 1 July 2017 (including salary sacrifice) and there are also limits on the amount of eligible contributions that can be released. Certain contributions including the mandatory contributions made by your employer cannot be released under the scheme. Learn more about what contributions can be released here.

## Why save for my home deposit in my super?

One advantage of building your deposit in your super is the potential tax benefit, compared to saving your surplus income outside of super which may be subject to your marginal tax rate. In the right circumstances, Super can be a tax-effective way of stashing your cash for your first home. While putting aside money in your super means you generally can't touch it until it's released, the tax savings can help boost your deposit savings.

Remember: Make sure you check your contribution caps as the government limits how much you can contribute. If you contribute too much, you may have to pay extra tax. Tax implications of using the scheme vary depending on your circumstances and can be complex. Any tax related information in this guide is general information only. You should seek advice from a registered tax professional if you intend to rely on the information

## Case Study

### Jono saved an extra $7,413

26-year-old Jono is currently working whilst living at home with his parents and earns $65,000 a year, plus super. Jono estimates he can set aside $6,000 per year and decides to arrange a before-tax salary sacrifice agreement with his employer. After five years of salary sacrificing, Jono has $27,581* available in his super fund for a deposit under the First Home Super Saver scheme. By putting extra into his super, Jono saves an additional $7,413 to put towards his deposit

| | | |
|---|---|---|
| **After 5 years putting money into a savings account** | saves $20,108 | $7,413 difference |
| **After 5 years with FHSS scheme** | saves $27,581 | |

## How Jono saved an extra $7,413 with the FHSS scheme

| Jono contributed $6,000 per year to his super under the FHSS | **After 5 years of contributing via FHSS, he saves $27,563** | By saving via the FHSS, he saves an additional **$7,413** to put towards his deposit |
|---|---|---|
| | **Extra contribution (using salary sacrifice)** | **Savings account** |
| Year 1 | **$4,890** | $3,852 |
| Year 3 | **$15,878** | $11,855 |
| Year 5 | **$27,581** | $20,168 |

## *Case study assumptions:

- Jono earns $65,000 per year.
- Using salary sacrifice, he contributes $6,000 per year of before-tax income into his superannuation account.
- Jono's before-tax contributions under the FHSS scheme are within the annual limits that count toward the total maximum releasable amount of $50,000.
- After 5 years he has saved an additional $7,413 by choosing to use the FHSS scheme with assumed associated earnings of

4.00%. This is compared with saving an after-tax income into a bank account with an interest rate of 1.00% pa.

- Dollar-based administration fees and insurance premiums are ignored for the purpose of this calculation.
- You should be aware that the value of your investments will rise or fall, and past performance is not an indicator of future performance.
- These assumptions do not take into consideration the impact of inflation.
- This information is illustrative only, is current as at April 2023 and can change.

## Will I need to save additional money elsewhere such as a savings account?

It depends on how much of a deposit you need for your first home and how much you're able to save in your super through the FHSS scheme. For example, the maximum you can contribute under the scheme is $15,000 per financial year and $50,000 in total. While you can withdraw any associated earnings, this may not be sufficient for a house in many major cities. As we covered earlier on in this guide, it's best to crunch the numbers early on in the process so you know how much you might need to cover your deposit and any other upfront costs.

Of course, it doesn't hurt to have cash in the bank as it can give you extra peace of mind in case unexpected expenses come up.

## How does the FHSS scheme work and how do I set it up?

### How do I sign up for the FHSS scheme?

There is no application form to sign up for the scheme. To start the process, you begin by making voluntary contributions to your super. There's no need to notify your super fund or the ATO that your contributions are for the FHSS scheme.

### How do I start making contributions for the FHSS scheme?

If you have decided that using the FHSS scheme is right for you, you can get the ball rolling by simply adding to your super. The FHSS allows you to draw on up to $15,000 of any eligible extra contributions you make each financial year (up to a maximum of $50,000 across all relevant years).

Confused about extra contributions? On top of what your employer puts into your super for you, you can add to your super by making your own extra voluntary contributions, either by:

- before-tax contributions – You can let your employer know you'd like to arrange a salary sacrifice to make extra (before tax) contributions. Not all companies offer this arrangement, so it's a good idea to check.
- after-tax contributions – You can start by making voluntary personal contributions directly to your super. Usually this can be done by yourself online. Check with your super fund to see how you might be able to do this. You may be able to claim a tax deduction on your after-tax contributions, if eligible.

## Case Study

**How Carly added $50,000 to her home deposit.**

Carly is a good saver, and regularly contributed more money into her super on top of the mandatory contributions her employer made. The annual amount varied, but she managed to add an extra $65,000 to her super in 4 years. She wants to buy her first home with the help of the FHSS scheme. Up to $15,000 of her annual extra contributions are eligible to be used for the FHSS, and she can withdraw a maximum of $50,000 of her eligible contributions (plus her associated earnings) in total over the 4 years.

| Carly's FHSS journey | **Amount Carly contributes per year** | Amount allocated to FHSS |
|---|---|---|
| Year 1 | $15,000 | $15,000 |
| Year 2 | $17,000 | $15,000 |
| Year 3 | $18,000 | $15,000 |
| Year 4 | $15,000 | $5,000 |
| Total | $65,000 | $50,000 |
| Amount Carly can withdraw from FHSS | | $50,000 |
| Leftover amount staying in super after FHSS withdrawal | $15,000 | |

*Numbers shown are before adding associated earnings

## What's the minimum and maximum amount I'm able to withdraw?

Under the scheme, you can withdraw (or release, as the ATO says) up to $15,000 of your eligible extra contributions each financial year, up to a total capped at $50,000.

This amount includes:

- 100% of your eligible non-concessional contributions (such as voluntary after-tax super contributions you have not claimed a tax deduction for)
- 85% of your eligible concessional contributions which may include:
  - » eligible before-tax contributions (such as salary sacrifice contributions)
  - » eligible after-tax contributions you have claimed a tax deduction for.

Your withdrawal amount will also include any deemed earnings made on the contributions. The rate of 'deemed earnings' is set by the ATO and might be different to the actual earnings you made through your fund. Concessional contributions and associated (or deemed) earnings are subject to tax.

If you're buying your first home with another person (and you're both eligible), you can both take advantage of the FHSS scheme and double your eligible amount to $100,000. You will each accumulate your FHSS savings in your own separate superannuation accounts.

## How do I withdraw my super using the FHSS scheme?

**Tip:** Request a determination before you buy!

You need to apply for a FHSS determination first. This determination by the ATO would tell you the maximum amount you can release under the scheme. Once you know the maximum amount with the FHSS determination, you can request a release of the maximum amount in your determination or choose a lower amount.

You can apply for the determination multiple times but can only request a release once.

Once you sign any property contract, you aren't eligible to request a FHSS determination.

So, when you believe you're ready to withdraw (you've saved enough in voluntary contributions or have reached the $50,000 cap, and are also ready to purchase), you may request a determination from the ATO before you sign the contract to buy your first home.

Remember: Specific rules apply to when and how much you can apply for release so it's important you check the rules early, and before you sign a contract. Learn more about requesting a FHSS determination here.

## When do I apply to release my super?

You must have a FHSS determination before you request to release your funds. You should also check if the determination is correct and resolve any issues with your FHSS determination before you request a release.

Remember, a good time to request a release of your FHSS funds is when you think you're ready to buy a property. The reason is that you can only apply to release your funds under the FHSS scheme once. This is because if you fail to buy a home, you'll have to recontribute the amount back to your super or pay a 20% tax on the withdrawal amount. So, it's wise to be sure that you've got all your ducks in a row before you start the application.

You can learn more about other important things to consider when requesting a release here.

## How do I access the funds in my super?

There are five steps to access your funds under the FHSS scheme.

1. Ask the ATO for a determination where they'll tell you the maximum amount that can be released. You can do this online using your myGov account linked to the ATO. This can be done multiple times.
2. When you're ready, you can request the ATO to release the amount, again using your ATO-linked myGov account. This can only be done once.
3. You can now enter into a contract to buy or build your home.

You'll need to do this within 12 months from the date you make a valid release request to the ATO (you can apply for an extension).

- You can also enter into a contract before you apply to the ATO for release of your super, as long as you already have a determination from the ATO, and you make a release request within 14 days of entering into the contract.

4. The ATO will ask your super fund to take that amount from your super account and send it to the ATO.

5. When the ATO receives the amount from your super fund, they will take out the right amount of tax and pay the balance to you, directly into your bank account (it's a good idea to double check your bank account details in myGov before requesting a release). The ATO estimates this will take 15-25 business days, which you should factor into your buying timeline.

## Do I have to pay tax when I withdraw my super using the FHSS scheme?

Yes, your FHSS withdrawal is generally taxed at your marginal tax rate, less a 30% rebate. For example, if your marginal tax rate is 32.5% plus the 2% Medicare levy (equivalent to 34.5%), your withdrawal would be taxed at 4.5% after the 30% rebate is applied. Check directly with the ATO, or for advice on your personal situation, speak with a qualified tax accountant.

## How much tax Carly pays when withdrawing FHSS funds

| | |
|---|---|
| **Carly's annual salary** | $65,000 p.a. |
| **Carly's marginal tax rate** | 32.5% |
| **Carly's Medicare levy** | 2% |
| **Subtotal Combined tax rate** | 34.5% |
| **Tax offset** | 30% offset |
| **Carly's super withdrawal** | $50,000 |

## Carly pays 4.5% tax on the $50,000 she's withdrawing under FHSS.

**Notes:**

1. This is an example only.
2. This withdrawal tax is different from the FHSS tax, which refers to the 20% flat tax you pay if you do not end up buying a property but decide to keep your FHSS funds

## What are the rules and limits that apply to the FHSS scheme?

- The maximum for total eligible voluntary contributions you can release is $15,000 per year and $50,000 in total  per person.
- You must occupy the property for 6 months within the first 12 months, as soon as it's practical.
- Super guarantee, excess contributions, and spouse contributions as well as split contributions can't be released under the scheme.
- You can only withdraw contributions made since 1 July 2017.
- You can only request a FHSS release once (but you may request a determination multiple times).
- You must have a FHSS determination before you sign a property contract.
- Once you sign any property contract, you aren't eligible to request a FHSS determination.
- It can take up to 25 business days for the ATO to release your funds.
- The home you buy must be in Australia.
- You can't use the FHSS scheme to buy any of the following types of property:
  - any premises not capable of being occupied as a residence
  - a houseboat
  - a motor home

- Your contributions still count towards your contribution caps for the year they were made.
- You must use your FHSS funds to purchase a home within 12 months of release, otherwise you must either recontribute the funds back to your super or keep the funds and pay an FHSS tax of 20%.

### Do I have to buy a home within a specific time period?

Yes, you'll have 12 months from the date you make a release request to either:

- sign a contract to buy your home
- contribute the required amount back to your super fund

Whichever action you choose to take, you must notify the ATO to fulfill your notification requirements and avoid being charged with the FHSS tax.

If you aren't able to buy a home within 12 months from your release request date, you have three options:

- the ATO can grant you a 12-month time extension.
- you can recontribute the FHSS funds back into your super fund, less any tax withheld, as an after-tax contribution.
- you can keep the released amount and be subject to an FHSS tax of 20%.

Because of the maximum 24-month time limit, it's often good to be sure that you're ready to buy a home before you request a release with the ATO.

### What happens if I decide not to buy after applying for the FHSS scheme?

Sometimes plans change or don't work out. If you don't end up buying a home, there are two things you can do:

- contribute the assessable released amount back into your super, or
- pay the FHSS tax which is equal to 20% of the assessable released amount.

Just make sure you let the ATO know what you plan to do with the FHSS released amount.

### Can I use the FHSS scheme to pay for stamp duty?

Absolutely. Under the FHSS scheme, there are no restrictions on which part of the homebuying cost you use your FHSS funds for. As long as you fulfill the requirements of the scheme, you may use the FHSS scheme to pay for stamp duty or your deposit.

Other common questions about the FHSS scheme

### What if I'm buying a home with a partner or co-buying with friends or family?

Partners, siblings, and friends can each access their own eligible FHSS contributions to buy the same property. That means even if your co-buyer has bought a home before, it won't prevent you from being eligible for FHSS scheme, if you satisfy all the requirements.

In fact, if you team up with another eligible FHSS person to buy a home, you may be able to double your maximum eligible release amount to $100,000 ($50,000 per person).

If I already have a salary sacrifice agreement with my employer, can I use this for the FHSS scheme?

Yes, if you already have an existing salary sacrifice agreement set up, the before-tax contributions from this can be used for FHSS. However, you can only take out contributions made since 1 July 2017. Any contributions made before this date would be ineligible.

If you have already been making voluntary contributions (such as salary sacrifice), you can get a determination to find out how much of your total maximum eligible voluntary contributions you've accrued.

# Disclaimers and terms & conditions

## Glossary

**After-tax contributions:** any amount you add to your super using money you've already paid tax on

**Australian Taxation Office (ATO):** a Commonwealth government agency responsible for managing Australia's tax, excise, and superannuation systems

**Before-tax contributions:** any amount you add to your super using money you haven't paid tax on

**Contract of sale:** a legally binding document used to formalise a real estate transaction

**Contribution caps:** limits set by the government on how much money you can contribute to your super each financial year, without paying extra tax

**Conveyancer:** a licensed professional who specialises in the transfer of real estate ownership and property-related contracts

**Cooling off period:** a period of time that allows property buyers in some states to walk away from the transaction after signing a contract of sale

**Employer contributions:** money contributed by your employer to your super

**Exchange:** a stage in the property buying process where signed copies of the sale contracts are exchanged between the buyer and seller, making the transaction legally binding

**FHSS determination:** when the ATO works out the maximum amount you can take out from your super using the FHSS

scheme, if you were to request a release

**FHSS tax:** a flat tax you pay if you decide not to buy a home after withdrawing your FHSS funds and decide to keep the money, equal to 20% of your assessable FHSS released amount

**Marginal tax rate:** the highest tax rate a taxpayer pays on their income

**Release amount:** the amount that you release from your super using the FHSS scheme

**Release request:** a one-off request you make to the ATO to withdraw your FHSS-eligible contributions from your super

**Salary sacrifice:** an arrangement where your employer pays an agreed amount of your pre-tax salary into your super

**Settlement date:** the date when you pay the balance of the purchase price, and ownership of a property is officially transferred from the seller to you

**Settlement period:** the period of time between contract exchange and settlement date, usually 1-4 months

**Split contributions:** when you split your before-tax contributions with your spouse to help increase their super balance

**Spouse contributions:** when you make an after-tax contribution into your spouse's super account

**Stamp duty (also known as transfer duty):** a one-off state government tax charged when you buy a property or transfer the title to someone else

**Voluntary super contributions:** money you voluntarily add to your super after tax