Superannuation isn't fair for new mums. Here's what couples can do to even it up

If you're on maternity leave or a stay-at-home mum, it's highly likely you're not getting paid any super.

With the pressing demands associated with keeping your children alive, you may not have even thought about super. But you need to.

Why is there are super gap?

Women retire with half the savings in superannuation than men, according to the 2017 Hilda survey. HALF. And a 2016 Senate report found one in three women retire with no super at all.

In most families, women are still the primary carers of kids, which means far more time out of the workforce than men, and often, they return to work part time.

There are also bigger systemic issues at play: the gender pay gap, the rise of the gig economy and the inherently unfair nature of the superannuation system (super is geared towards full-time work and is calculated as a percentage of your income. That means it's not great for part-time or low-income earners).

Women in Super's Sandra Buckley says even if women do step back into the full-time workforce, it's near impossible to catch up.

"You're unlikely to put yourself back in the position of someone working for 40 or 50 years — you're just not going to be able to replicate that from the traditional male perspective," she says.

Yet tax experts say there are benefits to having more even amounts of super across the couple, particularly when you're close to retirement age (if drawing out lump sums or applying for the pension).

So, what can a couple do to try to even up the playing field? Here are three ways you could increase your super when you're not working.

1. Contribution splitting

Contribution splitting simply means the working partner gives the partner staying at home some of the super they earned during the year.

Tax experts say this is an underutilised strategy, particularly if you're a cash-strapped family that doesn't have the money to make extra payments into super.

"Contribution splitting can clearly increase the non-working spouse's income quite dramatically over a period of time," says tax accountant Lynn Jensz."It's quite a simple process really," Ms Jensz says.

"There is a form on the ATO website to split your contributions. You just provide your details, your super fund details, your spouse's details and send it off to your super fund."

There are also tax benefits to this strategy — for example, to pay for life insurance.

"Life insurance is not a tax deduction at a personal level," says Ms Jensz. "But it is if you pay for it as part of your super fund."

This is how it works. Let's say an employer contributes $15,000 to the working partner's account in a financial year. The worker can transfer up to 85 per cent (so $12,750) to their spouse's super account.

Contribution splitting is something Italian migrants Piero and Paola Staci, who are in their mid-30s, are planning to do in the next year.

"She doesn't really have anything put aside in super and I thought it was a good idea to do that just to make her a little bit more independent from me," Piero says.

They came to Australia four years ago and while Piero works full time as a technical communications rigger, Paola has been a stay-at-home mum to their two children.

"She's doing a lot of work raising the kids and she doesn't get a wage for it — she deserves it but she doesn't get it," he says. "A retirement parachute is the least thing I can really do."

The lowdown:

- Your employer makes incremental contributions to your super throughout the year, but you can only split it once, at the end of the period.
- You have to lodge the forms in the financial year immediately after the contributions were made.
- You can't be permanently retired.
- Some public sector schemes do not offer contribution splitting.
- The spouse receiving the contributions must be less than "preservation age" (when you're old enough to access your super, so basically less than about 60 years old).

Tips:

- Check your super fund to see what fees may be charged.
- Caps on super contributions mean you can't contribute more than $25,000 to your own super if you want to take advantage of the lowest tax rate.

2. Spouse contributions

Adding additional money to superannuation can pay dividends over the decades, courtesy of compound interest.

Spouse contributions are all about the higher earning partner putting some cash (that's already been taxed) into their partner's super account.

Stay with us here — there's a reason why you still might want to contribute extra cash.

As well as evening up a couple's super accounts, there is the added benefit of a tax offset for the higher income earner.

Under new 2018/19 rules, this works out to be an 18 per cent tax offset on the contribution, or up to $540.

"If you were the higher earning spouse and you made a $3,000 after-tax contribution on behalf of your partner, and they were earning less than $37,000, you get a $540 offset which comes straight off the top of your tax payable," Ms Jensz says.

Riaana Raywood, 39, is a stay-at-home mum with two little kids, while her husband Chris works full time in pharmaceutical sales. They decided to transfer an extra $3,000 into Riaana's super account last year.

"Before I had children my super was getting quite substantial, so it's a massive loss to stay at home," she says.

"Evening it out will help in the long run. And when I get back into the workforce, it's not going to be such a massive hurdle for me to climb back up to that point again where I'm really on track."

"Providing we've got the money available, it's something we plan on doing every year," Chris says.

"The effect of compound interest over that time can be quite a lot of money in 25-30 years' time."

The lowdown:

- The partner receiving the extra super payment must be earning less than $37,000 for the higher earning partner to claim the maximum tax offset.
- Both must be Australian residents.
- The receiving spouse must not have made extra payments of more than $100,000 (it's called a non-concessional cap).
- Their super balance must not be more than $1.6 million.

Tip:

- If you can spare it, a $3,000 contribution gives you the maximum tax offset benefit of $540.

3. Government co-contribution

Regardless of your full-time salary, on paid parental leave you're probably earning what's considered a "low income".

So, if you earn less than $37,000 for the year and chip in some extra (after-tax) cash, the government will also contribute.

This is useful for anyone on a low income, particularly young people starting out at work (because the earlier they put money into super, the bigger the impact of compound interest over time). The optimal contribution is $1,000, because you will receive the largest amount from the government (of $500).

"You can basically get $500 for nothing off the government, every year, while your income is below the threshold amount," Ms Jensz says.

But Women in Super's Sandra Buckley appreciates it can be hard to find the extra cash when you have a family.

"Unfortunately, there are a lot of other competing priorities such as utilities payments, rental payments, childcare expenses," she says.

"It sounds like a small amount of money, but actually it can be hard on that sort of income to find money to put into your super account."

However, you can make smaller contributions and still receive some government contributions based on a sliding scale.

So, if you transfer even $200, the government will pay $100 into your super fund.

If you earn between $37,000 and $52,000 you will get some money from the government, but it progressively reduces as your income rises.

As well as making spouse contributions to get the tax offset, the Raywoods have also put away money to access the government co-contribution.

"It's money for jam. It's a little bonus the government offers which is not widely known about," Chris says.

"We've never been big spenders but it's certainly a lifestyle choice we make to put some thought into the future as well."

The lowdown:

- There is no need to apply for the government co-contribution.
- The tax office works out if you're eligible when you lodge your tax return. If your tax file number is on file, it will be paid into your super account automatically.
- You can't claim a tax deduction for the extra contribution.
- Some of these include being younger than 71, a permanent resident, not having contributed more than your non-concessional contributions cap, having at least 10 per cent of your total income from "employment-related activities" (rather than dividends from shares or income from rentals), have less than $1.6 million in super and earned less than $51,831.

Tip:

- For the government co-contribution, the optimal amount to put away is $1,000, to get the highest government contribution of $500.

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