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DOWNSIZER CONTRIBUTIONS TO SUPERANNUATION

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Australians can now contribute proceeds from the sale of their home into super

The Federal Government passed legislation that enables people over the age of 65 to contribute the proceeds from the sale of their home into superannuation. The measure, which applies to properties sold after 30th June 2018, allow Australians to utilise up to $300,000 (or $600,000 for couples) from the equity they have in their home and invest this into the concessionally taxed environment of superannuation.

How does it work?

Australians aged over 65 will be able to use the downsizer provisions to add to their superannuation savings from 1st July 2018. This is what you need to know:

Downsizer contributions are not subject to the non-concessional contribution limits or the total superannuation balance cap of $1.6m.

There is no work test or upper age limit.

Individuals must be over the age of 65 years at the time of making a contribution.

Downsizer contributions apply to contracts of sale (not the settlement date) entered into on or after 1st July 2018.

The property must have been owned by the individual or their spouse for at least 10 years and also qualified as their primary residence for at least part of the period of ownership.

There is no requirement for the property to be the primary residence at the time of sale.

There is no requirement for the property to be in the name of the contributor in the instance that it is in the name of their spouse.

The contribution to superannuation must be made within 90 days of settlement.

Contributions of up to $300,000 can be made for each individual and an additional $300,000 for an eligible spouse.

How you can benefit:

1. Investment earnings on savings inside your super will become eligible for concessional tax rates.
2. There is no requirement to acquire a replacement home, nor to use the actual proceeds from the sale of the property, therefore the downsizer measures can be used for a re-contribution strategy or to provide an opportunity to contribute other retirement savings into superannuation.
3. Whilst downsizer contributions are not subject to the $1.6m total super cap, once inside superannuation they will count towards this limit and may impact on the ability to make future non-concessional contributions.
4. Downsizer contributions within superannuation will be subject to Age Pension deeming, however if kept in accumulation (and not used to pay a pension) will not be tested towards the income test for Commonwealth Seniors Health Card (CSHC) purposes.

Enjoy savings on tax in retirement

Making a downsizer contribution will enable retirees to benefit from annual tax savings by taking advantage of the concessionally taxed superannuation environment. For example, a couple with a marginal tax rate of 34.5% making a $600,000 downsizer contribution into a pension fund may save $12,420 annually in tax, assuming earnings at 6% per annum.

Contact BMG to find out how to benefit from this strategy.

THE BMG TEAM

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By combining our knowledge and experience, you can rely on us to achieve the best outcomes for you, our client.

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If you are looking to work with a team of professionals to achieve your dreams, give us a call on (02) 6024 3000.

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