Guiding you through the downsizer superannuation contributions opportunity

What are downsizer superannuation contributions?

The downsizer superannuation contributions provision is a way to boost your super savings by up to $300,000 if you are aged 65 or over and selling your home. That goes for your partner too, if he or she is also over 65. Together, you can potentially contribute up to $600,000.

What are the main benefits?

If you are 67 or over it is harder to voluntarily contribute very large sums to your super, preventing you from maximising your financial security for retirement.

You could voluntarily contribute a maximum of $110,000 per year but only if you passed a work test (or 'work test exemption') and your total superannuation balance was less than $1.7 million. Generally the test needed to prove you had done at least 40 hours of gainfully employed work in a period of 30 consecutive days in the same financial year you were making the contribution.

Downsizer superannuation contributions law increases the contribution you can make, and with no work test or total superannuation balance restriction applying you can now take advantage to increase your retirement savings. The contributions are part of the tax-free component of the superannuation interest you receive.

Do I have to make a downsizer superannuation contribution?

No, it is not compulsory. However, making a contribution may be a great way to help build your retirement nest egg while selling from your home. You should talk to your adviser about your options and how to navigate the process.

Also, you don't have to contribute the entire $300,000, and you can transfer in instalments if they are all within the 90-day window after the home sale. As long as your total individual downsizer superannuation contribution from the sale is no more than either the lesser of $300,000 or the amount of actual sale proceeds.

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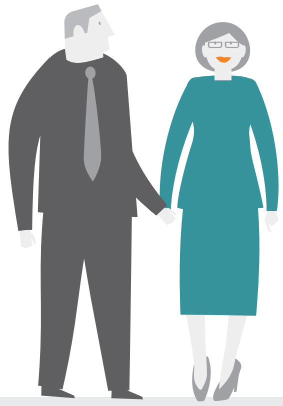
Am I eligible?

You need to meet certain eligibility criteria to take advantage of the new provision:

- You must be 65 or over and you or your partner have owned the home continuously for at least 10 years prior to selling it. Or your partner needs to have owned it for that same period.
- The home must be in Australia and must not be a caravan, houseboat or other mobile home.
- The home must have been your principal residence for at least some of the ownership period. In other words, it must qualify for the Capital Gains Tax exemption on the sale of a home that is considered to be all or part of a person's main residence. However, you don't need to have lived in your home for the whole period.
- You must make the downsizer superannuation contributions within 90 days of disposing of your home. You also need to notify your super fund and use the downsizer superannuation contribution form when making the contribution.
- You cannot have made previous downsizer superannuation contributions from the sale of another home. Generous as this provision is, you only get to take advantage of it once.



My partner and I sold our home for $500,000. Can we add $100,000 from other non-home-sale savings to contribute the full $600,000 ($300,000 each)?

No, the contribution must not exceed the total sale proceeds. In this case, however, you can still contribute the entire sale price of $500,000 if you want, either as $250,000 each or another split, such as $300,000 from you and $200,000 from your partner. The maximum one person can contribute is still $300,000.

What if I am upsizing?

Most people benefitting from the provision will be selling their homes and downsizing for retirement. However, you may be eligible even if you sell your home and buy a more expensive one. You can use the proceeds from the sale to make downsizer superannuation contributions and then negotiate a new loan for the new property.

Are there any other restrictions or important considerations?

Downsizer superannuation contributions may impact Age Pension entitlements. Generally, they also count towards your total super balance which may impact eligibility for future non-concessional contributions and spouse contributions. Additionally, the transfer balance cap may limit the amount of downsizer contributions that you can transfer into the retirement phase.

It's very important to be clear on the rules and implications before making a decision regarding the downsizer superannuation contribution provision. Walking through it with your adviser may help you understand all the facts and feel comfortable about making a contribution. **Get in touch today.**

To find out more about how this information may help you achieve and maintain your financial and lifestyle goals, speak to your financial adviser today.