INSIDE

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FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE

Upsize your retirement savings with downsizer contributions

The downsizer superannuation contribution provides an opportunity for eligible people aged 55 and over to sell their home and make a contribution to superannuation from the proceeds.

You may be eligible to make additional contributions to super of up to $300,000 (or $600,000 per couple) from the proceeds of the sale of your home.

What are the possible benefits of making a downsizer contribution?

The benefits of making a downsizer contribution vary depending on individual circumstances but may include:

- Increasing your retirement savings
- Increasing your savings without the need to satisfy normal eligibility criteria (including total super balance test and being under age 75)
- The contribution is not assessed against any of your other contribution caps, meaning that you could contribute even more to super
- If the amount remains in the accumulation phase of superannuation, investment earnings are taxed at a maximum of 15% rather than, your marginal tax rate (which could be higher, if you invested the proceeds outside super)
- If the amount is used to commence a superannuation income stream, earnings on this amount are taxed at 0% rather than your marginal tax rate (if you invested the proceeds outside super)
- The amount forms part of the tax-free component which is not taxable when you withdraw it, or if paid to a non-tax dependant (such as an adult child) after death.

How does it work?

Downsizer contributions are superannuation contributions that have been sourced from the sale proceeds of your current home, or property that you sell that you've treated as your main residence at some point since you've owned it.

The maximum downsizer contribution that you can make is the lesser of $300,000 or the total proceeds received from the sale. As this is an individual limit, this means that for couples, it may be possible to contribute a combined amount of $600,000. However, the total downsizer each person is limited to a maximum of $300,000, and the total combined contributions for a couple cannot exceed the total proceeds from the sale.

Multiple contributions can be made; however, the contributions can only be made for the sale proceeds on one eligible dwelling. This means that if you don't fully utilise your $300,000 downsizer cap, you can't make additional downsizer contributions if you later sell another property which qualifies.

General eligibility – To be eligible to make a downsizer contribution the following must be satisfied:

- You are aged 55 or over at the time the contribution is made
- The contribution is from the proceeds of the sale of a single eligible property in Australia (and is not a houseboat, caravan or mobile home)
- You have owned the property for at least 10 years prior to the sale

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- You claim the capital gains tax (CGT) main residence exemption on the sale of this property (wholly or partly)
- The contribution is made within 90 days of settlement
- You complete the required paperwork to elect to treat the contribution as a downsizer contribution and submit the form to your super fund (either before or when the contribution is made)
- You do not claim a tax deduction for this contribution; and
- You have not previously made a downsizer contribution in relation to another sale.

Can I make a downsizer contribution if I gift the home or transfer the title for no payment?

No, you can't. Downsizer contributions are limited to actual sale proceeds, meaning that if you gift the property to another person, or transfer it without payment (even if you receive for example, a life interest to live in the home from another person) you cannot make a downsizer contribution.

Access to these funds

The Government extends tax concessions to superannuation to encourage us to save our retirement. However, there are rules that restrict access to these savings, known as preservation rules. This means that once you've contributed to your super, you won't be able to access your funds until a condition of release is met.

If you are 55 to under age 65, conditions of release that you can satisfy include:

- retirement after your preservation age (as defined in legislation)
- ceasing an employment arrangement after turning age 60, or
- reaching age 65.

This means you need to be comfortable being unable to access this capital until you have met a condition of release. However, once you reach age 65 or are already 65 and over you can access your savings at any time.

Social security implications

If you sell your home and make a downsizer contribution, that contribution adds to your superannuation savings.

If you are at least Age Pension age (or Service Pension age if applicable), or you commence a superannuation income stream, these savings are assessed when determining your entitlements, and may reduce your social security benefits or entitlements. However, if you are under Age Pension age (or Service Pension age if applicable) and the amount remains in the accumulation phase of superannuation, this is an exempt under both the income and assets test.

To find out more about the rules please speak to your financial adviser. Source: MLC Tech Matters

Centrelink Work Bonus

The Work Bonus provides older Australians with an incentive to continue working at least on a part time basis, by providing an exemption to income from working.

Summary – Under the Work Bonus, the first $300 of fortnightly income from work is not assessed under pension income test. Any unused part of the $300 fortnightly Work Bonus accrues in the Work Bonus income bank and can be used to offset future income from work.

Who is eligible? – All pensioners over Age Pension age are eligible for the Work Bonus if they have income from work. This includes recipients of:

- Age Pension
- Carer Payment*
- Disability Support Pension*
- Department of Veteran's Affairs Service Pensioners; and
- Income Support Supplement over qualifying age.

*For those that have elected to remain on this payment and not transfer for the Work Bonus.

Note: Individuals in receipt of the transitional rate of pension are not eligible for the Work Bonus.

What income qualifies for the work bonus? –

Income from employment and self-employment qualify as Work Bonus income.

Distributions from family companies or trusts may qualify to the extent the client can show the income derived relates to personal exertion.

It excludes income related to:

- managing or administering financial investments and real property; and
- work involving domestic, household, gardening or similar tasks at the pension recipient's place of residence.

Employment income –

Employment income is income from remuneration undertaken by the pension recipient as an employee in an employer/employee relationship.

This includes:

- salary and wages and leave payments where the client remains an employee of the same employer
- commissions, bonus payments, and
- supported wages and casual loading.

Self – employment –

Income from self-employment is income from work for financial gain or reward derived from personal exertion of the pension recipient.

How is it applied? –

The Work Bonus effectively provides an increased 'income free area' in respect of eligible income. If a pensioner is eligible, the Work Bonus will automatically be applied by Centrelink. The Work Bonus disregards the first $300 of income from working per fortnight and applies per eligible individual. Where both members of a couple qualify, the work bonus is applied on an individual basis. The first $300 of income from working is disregarded for each member of the couple. Any amount of bonus that is not utilised by one member of the couple cannot be transferred to their spouse.

Unused Work Bonus – If the pensioner doesn't fully utilise the available bonus in a particular fortnight, the unused Work Bonus is credited to an 'employment income concession bank' (income bank). The accrued credits can be utilised in a future fortnightly period, which may enable the pensioner to have a greater amount of exempt (non-assessed) income from work.

For example: a person who had previously retired returns to work, or where a person who has not fully retired has variable employment income.

The income bank starts to accumulate from the time the person becomes an eligible pensioner. Credits accrued do not expire (except on death) Credits are accrued regardless of the pensioner's future work intentions (ie they could be not intending to work at all).

Maximum income bank accrual – Ordinarily, a maximum of one year's worth of Work Bonus can be accrued in the income bank. This equates to $7,800. However, on 1 December 2022, a one-off $4,000 income credit will be added to the Work Bonus income bank of those at least pension age and in receipt of an Age Pension, Disability Support Pension or Carer Payment. The maximum Work Bonus income bank will temporarily increase to $11,800 until 31 December 2023. Any Work Bonus accrued in the income bank that exceeds $7,800 as at 1 January 2024 will be lost.

For income tested clients (eligible for the Work Bonus), those earning:

- more than $300 pf may see a temporary increase in entitlements; and
- less than $300 pf may consider temporarily taking on additional paid work without impacting their Centrelink entitlements.

Please speak to your financial adviser for more information. Source: MLC Tech Matters

How much super should you have at your age?

See the average super balance for your age group, so you can get an idea of how your super savings compare.

Your super balance will most likely play a big part in how comfortably you live in retirement. But depending on how far off retirement is for you, it might be difficult to gauge whether your super is on track, or if you might need a bit more saved up to live the lifestyle you want after you finish working. In fact, almost half of working Australians don't know how much they will need to have saved for retirement.

Retirement stress is increasing – The report highlights that financial stress ahead of retirement has been creeping up in recent years. More people expect to have a financially difficult retirement than in the previous 2020 report, particularly older Australians and people who haven't set clear goals. In total, 21% of working Australians are not at all confident they'll be able to achieve their desired standard of living in retirement – up from 17% in 2020 – and only 9% are very confident, down from 14%. Staying on top of your super balance and having a plan if you're behind on your retirement savings can help your stress levels.

How does your super stack up? If you're curious to know how your super shapes up against others your age, here's the average super balance for employed men and women of different age groups across Australia, according to Association of Superannuation Funds of Australia.

Age	Average account balance $	
	Men	Women
Under 18	14,170	9,901
18 - 24	8,072	6,994
25 - 29	25,173	21,774
30 - 34	51,175	42,240
35 - 39	83,723	66,611
40 - 44	121,119	92,680
45 - 49	165,587	112,228
50 - 54	214,795	157,124
55 - 59	286,283	209,653
60 - 64	359,870	289,179
65 - 69	414,380	370,042
70 - 74	464,565	403,268

If your balance looks a bit low compared to the average for your age group, there could be several reasons for this, including time taken off the workforce to study, travel or care for older relatives.

To live a modest lifestyle, which is considered better than living on the age pension alone, individuals and couples would need an annual budget of around $29,632 or $42,621 respectively.

What you could do if your super balance needs a boost – If you notice your super balance isn't as high as you'd like it to be, here are some steps to help you increase retirement savings.

Check out important details about your super- Super should be working for you, so it's important to review once a year and check the funds' performance (noting past performance isn't an indicator of future performance) fees you might be paying, insurance you might have inside your super, whether is suits current needs.

Find your lost super – If you've changed jobs, your name or address over the years, or worked part-time or casual jobs, there's a chance you may have lost track of some of your super and could be paying multiple fees on different accounts. Find your lost or unclaimed super:

https://www.ato.gov.au/forms/searching-for-lost-super/

Consider whether consolidating funds might be worthwhile – There may be advantages to rolling multiple super accounts into one, like fewer fees and less admin but you'll need to be across the potential tax implications and check if you could lose certain benefits, such as insurance. Please contact your financial adviser for more information. Source: AMP Insights

Should you wish to discuss any aspect of the information contained in this document, please contact your Financial Planner

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