DOWNSIZER CONTRIBUTIONS

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You don't need to downsize to make Downsizer Contributions.

From 1 July 2018, individuals aged 65 or more who sell their family home may be able to contribute some or all the sale proceeds into super. These super contributions, known as "Downsizer Contributions", present an opportunity to maximise super for those who would otherwise be unable to contribute due to their age, work status or "total superannuation balance".

Interestingly, while these are called Downsizer Contributions, you don't actually need to downsize your home to qualify!

WHO CAN MAKE A DOWNSIZER CONTRIBUTION?

The following criteria must be satisfied in order to make the contribution:

- Only applies where the contract of sale is entered into on or after 1 July 2018.
- The individual must be aged 65 or more at the time of the contribution.
- The contribution arises from the disposal of an interest in a "qualifying dwelling" owned by the individual or their spouse for a continuous period of ten years just before sale.
- A "qualifying dwelling" includes the family home or a different property an individual owns that was previously their home or the home of their spouse or former spouse.
- The amount of the contribution will be the lesser of the sale proceeds or

$300,000 per individual.

- The contribution must be made within 90 days of change of legal ownership, typically this will be the date of settlement. However, this period may be extended in certain circumstances.
- The individual must notify the super fund trustee of their choice to treat the contribution as a Downsizer Contribution, in the approved form before or at the time the contribution is made.
- Contributions can only be made in respect of one property, that is, no previous Downsizer Contributions from disposal of another property.
- Cannot claim a personal tax deduction on the contribution.

BENEFITS OF MAKING THESE CONTRIBUTIONS

1. There is no requirement to satisfy the age criteria or Work Test. Currently, the trustee of a super fund can only accept member contributions and voluntary employer contributions, made by or on behalf of members aged 65 to 74, if the member is gainfully employed on at least a part time basis (often referred to as the "Work Test"), and the contribution is received within 28 days after the end of the month in which the member turns 75. From age 75, the trustee can only accept mandated employer contributions, for example, Superannuation Guarantee contributions. Downsizer Contributions can be made by individuals age 65 and above without having to satisfy the Work Test!
2. It's an individual cap, so each member of a couple may be eligible to contribute up to $300,000. This could apply even if only one member is on the title.
3. The contribution is excluded from the non-concessional (after-tax) and concessional (pre-tax) contribution caps and can be made even if the individual has a "total super balance" of $1.6 million or more.
4. Downsizer Contributions could be used to equalise balances between members of a couple to maximise both individual's $1.6 million Transfer Balance Cap, that is, maximise the amount of funds held in the tax-free retirement phase
5. Provides a mechanism which could potentially limit tax payable on death benefits paid to non-tax dependant beneficiaries, such as adult independent children
6. Earnings derived from assets held in accumulation phase are taxed at up to 15% and, earnings derived from assets supporting a retirement phase income stream are tax-free.

HOW CAN WE HELP?

We have only touched on some aspects of Downsizer Contributions. There are a number of tax, super, estate planning and social security issues that must be considered before making a Downsizer Contribution. As such, we recommend you seek professional advice prior to acting on the above information. To find out how we can help you, please contact your Fordham Partner for an appointment with us and an appropriately qualified Advisor.