WORK TEST AND SUPERANNUATION CONTRIBUTION CHANGES.

In a superannuation environment dominated by COVID-19 discussion, early withdrawals and pension minimum reductions, it is worth revisiting potential strategies for when we begin resuming some semblance of normal life. The list of Federal Government budget proposals that never saw the light of day is vast, however for those who are approaching retirement, the 2019 Federal Budget proposed a number of welcome changes to superannuation legislation. At the time of writing, these are still just proposals in the legislative pipeline however it is worth a refresh as eligible individuals should consider these likely changes in their retirement strategy to maximise the use of the tax-effective superannuation environment.

There will be no requirement for the Work Test up to age 66

Currently, in order to make either a voluntary concessional or non-concessional contribution to superannuation post age 65, a member must meet the Work Test. The work test requires a member be gainfully employed for at least 40 hours in a 30 day period in the financial year prior to the contribution. This is the minimum requirement, there is no maximum. Gainfully employed is to be employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment. Unpaid work, or charity work, does not qualify.

To align with the Age Pension eligibility age, which is scheduled to reach 67 from 1 July 2023, the 2019 Federal Budget proposed that individuals aged 65 and 66 will no longer have to meet the work test from 1 July 2020. This change will allow those who have already retired the opportunity to contribute to superannuation for two more years.

The non-concessional bring-forward contribution is available up to age 66

The bring-forward rule allows a member with a Total Superannuation Balance of $1.4 million or less on 30 June to be able to bring-forward the next two years' worth of non-concessional contributions in a single financial year. This allows for a total non-concessional contribution of $300,000 in a single financial year.

Currently a member must be under the age of 65 on 1 July of the financial year to take advantage of the bring-forward rule. In line with the previous proposal, the 2019 Federal Budget, the age at which someone can take advantage of the bring-forward rule is proposed to be extended for two more years, allowing individuals who were under the age of 67 on 1 July of the year to contribute up to $300,000. The Total Superannuation Balance restrictions still apply however this will provide a greater opportunity to further boost superannuation prior to commencing a tax-free Account Based Pension.

Extended eligibility for spouse contributions

Member non-concessional contributions made by an individual to their spouse's superannuation are known as 'spouse contributions'. Thanks to the $1.6 million superannuation restrictions on both contributions and Account Based Pensions, spouse contributions have returned to the front of mind for many advisers and superannuation members.

Currently the receiving spouse must be under age 65 or age 65 to 69 and satisfy the work test or the work test exemption. The contributing spouse does not have any age restrictions or need to satisfy the work test. The contribution counts toward the receiving spouse's non-concessional contribution cap.

A tax-offset can be claimed by the contributing spouse if the receiving spouse earns up to $40,000 per year.

The 2019 Federal Budget proposed that the receiving spouse could receive a spouse contribution up to age 75 and the work test will only have to be met from age 67.

Strategies

If legislated, the potential strategies are numerous. For example they would assist with the following:

- Using personal deductible contributions to reduce personal tax liabilities e.g. from the sale of an investment property.
- Re-contribute funds into the superannuation account of a spouse with a lower balance to help even up each member balance.
- Contributing the proceeds from the sale of assets e.g. business, share portfolio etc.
- Maximising Age Pension strategies.

These proposals, if legislated, present an important planning opportunity for clients and their advisers. It allows recent retirees with to boost their retirement savings prior to commencing an Account Based Pension. If you would like to discuss these proposals further please contact your Bell Potter adviser.

Regards

Jeremy Tyzack
Head of Technical Financial Advice
Bell Potter Securities

Bell Potter's technical financial advice team can put together a strategy designed to help you achieve your retirement objectives.

Working with you and your Bell Potter Adviser, we can help with most financial aspects of retirement, including:

- Identifying your financial goals
- Structuring your existing assets appropriately
- Identifying your approach to investment and your appetite for risk, and
- Reviewing your current superannuation arrangements.

To create a tailored investment plan based on your needs and objectives call your adviser or 1300 0 BELLS (1300 0 23357).

BELL POTTER

1300 0 BELLS (23557)
www.bellpotter.com.au
info@bellpotter.com.au

ABN 25 006 390 772
AFSL No. 243 480