

# CONTRIBUTE AFTER AGE 65 WITHOUT MEETING THE WORK TEST.

Superannuation provides many benefits, primarily it provides the incentive for Australians to save for their retirement. However a significant shortcoming of superannuation that we have experienced in recent times is the constant legislative changes. It is almost accepted that each year further modifications will be proposed to add to the already complex and frustrating system.

Despite this, there are a limited number of restrictions that remain unchanged year-after-year, almost as though they were set in stone. Therefore when these apparently never-changing rules are tinkered with, it is worth making sure everyone is aware.

The age where the member must meet the work test prior to a contribution is an example of this. We have touched on this topic when it was only a Federal Budget proposal in a previous newsletter however it is worth repeating now that it has been legislated.

Prior to 30 June 2020, in order to make either a voluntary concessional or non-concessional contribution to superannuation post age 65, the member was required to satisfy the work test. Since 1 July 2020 this age has been pushed out to age 67.

The work test requires that a member be gainfully employed for at least 40 hours in a consecutive 30 day period in the financial year prior to making the contribution. This is the minimum requirement, there is no maximum. Gainfully employed can 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.

This change will allow those who have already retired the opportunity to contribute to superannuation for an additional two years.

The question that then arises is whether the non-concessional bring forward rule is also extended for two years. As a refresher, the bring-forward rule allows a member with a Total Superannuation Balance of \$1.4 million or less on 30 June, of the previous financial year, to be able to bring-forward the next two years' worth of non-concessional contributions.

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.

Unfortunately the Bill that is responsible for the extension to the age at which someone can take advantage of the bring-forward rule and bring it in line with the increased work test age rule, allowing

individuals under the age of 67 on 1 July of the year to contribute up to \$300,000, is still before Parliament. This is primarily due to the reduced Parliament sittings due to COVID-19.

The strategies created by the work-test requirement change to 67 and the proposal to extend the bring-forward rule by two years are plentiful. For example they may assist with the following:

- Using personal deductible contributions to reduce personal tax liabilities e.g. from the sale of an investment property after retirement when an individual's taxable income is lower.
- Re-contribute funds into the superannuation account of a spouse with a lower balance to help even up each member balance.

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.

This change presents an important planning opportunity for clients and their advisers. It allows recent retirees 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.



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## 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).

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