

# MAKING PROGRESS – PROPOSED SUPER CHANGES PASS THROUGH PARLIAMENT

On 22 February a number of superannuation proposals announced during the 2021/22 Federal Budget received Royal Assent. These changes are a step in the right direction to boost superannuation for low-income earners, retirement planning and assist the next generation entering the property market. The following significant measures will come into effect 1 July 2022:

- Work test removal for most contributions
- Bring-forward rules will apply up to age 75
- Downsizer contributions from age 60
- Increasing the maximum withdrawal under first home super saver scheme
- Increasing Superannuation Guarantee eligibility

## Work test removal for certain contributions

Currently, individuals aged 67-74 wanting to make a contribution to superannuation must satisfy the work test. The work test requires an individual to be gainfully employed for a minimum of 40 hours in a 30 consecutive day period, prior to the contribution.

The changes from 1 July 2022 means those individuals from 67-74 will be eligible for employer contributions and non-concessional contributions regardless of their work status.

The work test itself remains and applicable for individuals between 67-74 wishing to make a personal contribution and claiming a tax deduction.

The work test exemption, which allows individuals with a Total Superannuation Balance of less than \$300,000 as

at the previous 30 June to make contributions in a year if they ceased gainful employment the previous year, will still apply for personal deductible contributions.

The Total Superannuation Balance restrictions are still applicable.

## Bring-forward rules will apply up to age 75

In line with the work test amendments, the bring-forward rule age will be extended from the current age of 67 to 75. Currently the annual non-concessional contribution cap is \$110,000 with the bring-forward rule allowing three years' worth of contributions to be made in a single year, capped at \$330,000.

These changes can be advantageous for retirement planning, recently received inheritances and tax planning.

The Total Superannuation Balance restrictions are unchanged therefore, to maximise the full bring forward rule, your member balance must be below \$1.48m on 30 June prior to the contribution.

## Downsizer contributions from age 60

From 1 July 2022, the eligibility age to make a Downsizer contribution will reduce from 65 to 60.

The Government hopes to entice the aging population downsize their homes that they have held for at least 10 years and assist with the housing supply issues.

## Increasing the maximum withdrawal under first home super saver scheme

From 1 July 2022, you can withdraw up to \$50,000 under the First Home Super Scheme (FHSS). Currently, the maximum eligibility super contributions amount is

\$30,000 plus any deemed earnings.

There has been no change to the annual voluntary contribution amount of \$15,000 per financial year. To access the full \$50,000 release would take approximately four years of contributions.

## Increasing Superannuation Guarantee eligibility

Currently, individuals earning less than \$450 a month are not eligible for superannuation guarantee (SG) contributions. A detrimental effect on superannuation balances for those working casually and or multiple jobs earning less than the threshold.

The good news is, come 1 July 2022, this rule will no longer exist. This may seem minuscule however, compounding over a 30, 40, 50 year period, can make a difference come retirement.

Finally, SG contributions from 1 July 2022 will increase from 10% to 10.5%. Progressively, this will increase to 12% from 1 July 2025. Great news for future you, a bigger super balance and hopefully resulting in a comfortable retirement (with the help of sufficient planning and healthy investment returns). Unfortunately, the immediate short-term impacts will be felt by those currently under a salary package arrangement. Your package will likely stay the same, while your superannuation contribution increases, resulting in a take home pay decrease.

## Get in touch

If you would like to discuss the changes further, please contact your Bell Potter adviser.



**Ayten Ozder**

Technical Financial Adviser  
Bell Potter Securities

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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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