

THE BENEFIT OF INFLATION - INDEXATION

Thanks to soaring inflation and legislation that ties select superannuation caps and thresholds to the inflation rate, many retired and soon-to-be-retired superannuation members will receive an added boost to their retirement savings. It is essentially a give with the one hand and a take with the other scenario.

On 25 January 2022, the Australian Bureau of Statistics published the December inflation figures resulting in the indexation of the following from 1 July 2023:

Cap/ Threshold	2022/23	2023/24
General transfer balance cap	\$1,700,000	\$1,900,000
Defined benefit income cap	\$106,250	\$118,750
Co-contribution eligibility	\$1,700,000	\$1,900,000
Spouse contribution tax offset eligibility	\$1,700,000	\$1,900,000

Of course, the Parliament may freeze the indexation as part of its broader changes to superannuation in the May Federal Budget, however there is no commentary to suggest this will occur.

Will the contribution caps also increase?

While the general transfer balance cap increases with inflation, contribution caps increase in line with the Average Weekly Ordinary Time Earnings (AWOTE), which has not increased sufficiently to cause a jump in the concessional and non-concessional contribution caps.

However, there is some good news for contributors. The general transfer balance cap jump will result in an increase in the non-concessional bring-forward taper thresholds. Therefore, a member looking to take advantage of the full or partial bring forward non-concessional contribution caps will be able to with a larger 30 June total superannuation balance, with the taper starting at \$1,680,000 as opposed to the current \$1,480,000.

Cap	TSB 2022/23	TSB 2023/24
\$330,000	<\$1,480,000	<\$1,680,000
\$220,000	≥\$1,480,000 and <\$1,590,000	≥\$1,680,000 and <\$1,790,000
Nil	≥\$1,700,000	≥\$1,900,000

What is not indexed?

A lot remains unindexed. The direct link between inflation and the general transfer balance cap is unusual. The following caps and thresholds, among others, are hard-coded into the legislation and therefore are not indexed with inflation nor AWOTE.

Cap/ Threshold	2022/23	2023/24
Carry forward concessional TSB	\$500,000	\$500,000
Work test exemption TSB	\$300,000	\$300,000
Downsizer contribution	\$300,000	\$300,000

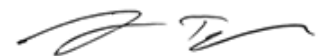
Cap/ Threshold	2022/23	2023/24
Small business retirement exemption contribution	\$500,000	\$500,000
Spouse contribution tax offset income	Lower \$37,000 Upper \$40,000	Lower \$37,000 Upper \$40,000
Division 293 income	\$250,000	\$250,000

Now or delay?

The general transfer balance cap indexation has grabbed headlines and made people consider whether they should wait before starting a pension or contribute now. So, the question remains – what should they do?

The answer is not a simple yes or no. Various factors around earnings need to be considered before making a decision. Some factors include one-off income, the time horizon before 30 June, the unused indexation proportion, previous and future contributions, future eligibility to contribute and the accounting method.

As usual, timing is everything when it comes to superannuation. Now is the time to seek advice. Get in touch with your Bell Potter adviser for a more detailed discussion.



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- Identifying your approach to investment and your appetite for risk, and
- Reviewing your current superannuation arrangements.

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