DO YOU KNOW YOUR TOTAL SUPERANNUATION BALANCE? YOU SHOULD!

The total superannuation balance, or TSB, was a significant change introduced as part of the Government's superannuation reform package, taking effect on 1 July 2017. However, unlike other changes, such as the pension transfer balance cap, the total superannuation balance has generally been overlooked despite its broad implications.

If legislated, the Federal Government's proposal means an additional 15% tax on superannuation earnings applies when a member's TSB exceeds $3 million. With the potential additional tax for balances over $3 million putting TSB back into the media spotlight, it is time for a refresher.

In simple terms, TSB is the total amount of money a member has in superannuation, assessed by the ATO each 30 June. It can be calculated by:

Adding:

- The accumulation phase value of the member's super interests that are not in the retirement phase.
- The retirement phase value of the member's super interests.
- The amount of each rollover super benefit not already reflected in the accumulation phase value or the retirement phase value (that is, rollovers in transit between super funds on 30 June).
- In certain circumstances, the outstanding balance belonging to a limited recourse borrowing arrangement (LRBA) in an SMSF entered from 1 July 2018 if either:
  - The LRBA is with an associate of the fund.
  - The member has satisfied a condition of release with a nil cashing restriction.

Subtracting:

- Any personal injury or structured settlement contributions paid into the member's super funds.

There can often be confusion between the TSB and the transfer balance cap. TSB is the total value of someone's superannuation assets and is used to calculate their eligibility for various concessions and strategies. The transfer balance cap is a lifetime limit on the amount a person can transfer into a tax-free retirement pension account.

The confusion arises because a member's TSB must be below the general transfer balance cap, set at $1.9 million, to benefit from measures like non-concessional contributions. The three-year bring forward rule for non-concessional contributions is also reduced for TSBs over $1.68 million.

A member's TSB is also a consideration for the following strategies:

- Carry-forward concessional contributions: A TSB of less than $500,000 is required to use carried-forward concessional contributions.
- Work-test exemption: A TSB less than $300,000 is required to use the work-test exemption.
- Government co-contribution and spouse contribution: Both require a TSB less than the general transfer balance cap to be eligible.

Exceeding the TSB for a particular strategy can have costly ramifications.

Anyone looking to implement a superannuation strategy should be mindful of their TSB each 30 June, accessible through the ATO online services portal on MyGov.

Members in large super funds can view their 30 June balance on MyGov in mid-July. For SMSFs, the MyGov TSB will be available after lodging the annual return.

Minimising the impact of the total superannuation balance measure

Couples should aim to maintain even balances through contribution splitting or a recontribution strategy. Also, thought should be given to the timing of contributions, as the ATO assesses TSB on 30 June each year. Contributions made in July only count toward the next 30 June, allowing an additional year of tax-effective strategies. In contrast, a contribution made in June may create restrictions.

Learn more

To delve deeper into your total superannuation balance, contact your Bell Potter adviser for a detailed discussion.

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- 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.

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