WHAT TO EXPECT IN 2025

As we start the new year, staying informed about key events and upcoming changes will help us navigate what lies ahead. Let's take a moment to explore what to expect in the year ahead.

Transfer balance cap indexation for 2025/26

The December 2024 CPI figures, released on 29 January, have confirmed the expected increase in the general transfer balance cap from $1.9m to $2m, effective 1 July 2025. The ATO is expected to confirm this indexation in March.

The transfer balance cap sets the maximum amount that can be transferred into an account-based pension.

Clients who have already started an account-based pension but have not fully utilised their cap at any time will receive indexation on a proportional basis, applying only to the unused proportion.

For those eligible but yet to start an account-based pension, waiting until 1 July 2025 could be beneficial to take full advantage of the indexation increase.

Division 296 tax - Proposed $3 million super cap

The Division 296 tax is an additional 15% tax on 'calculated earnings' for individuals with a total super balance above $3 million, proposed to take effect on 1 July 25. The House of Representatives passed the Bill without amendment, but it has not progressed through the Senate. The Senate is due to sit again in late March and early May. However, the Bill will lapse if a Federal election is called before these sittings.

Superannuation Guarantee increase to 12%

The Superannuation Guarantee (SG) contribution rate will increase to 12%, effective 1 July 2025. Those with an existing salary sacrifice arrangements should review both the amount sacrificed and the terms of their agreement to ensure they align with the new SG rate.

Maximum RAD for aged care increasing

Effective 1 January 2025, the maximum refundable accommodation deposit (RAD) that can be charged without approval from the Independent Health and Aged Care Pricing Authority has increased to $750,000 (up from $550,000).

Removing barriers to employment for recipients of Carer Payment

Effective 20 March, carers can work up to 100 hours over four weeks (excluding travel time, education, and volunteering activities) without affecting their Carer Payment. If the payment gets suspended due to exceeding this limit, recipients will not need to reapply if they become eligible again within six months.

Previously, the Carer Payment got cancelled if a carer worked more than 25 hours in any week, including travel time, education, and volunteering activities. Recipients would then have to reapply for the payment.

New Aged Care Act coming soon

Following recommendations from the Aged Care Taskforce, the Government has introduced several changes to the aged care system, as outlined in two recent notes. Most of these changes will occur from 1 July 2025 and impact how resident fee contributions are calculated for home care and residential aged care services. The amendments aim to address funding issues, increase resident contributions where means are sufficient, and boost investment in the aged care sector to improve facilities. The changes introduce new types of fees, different calculation methods, and new concepts and thresholds.

Centrelink deeming rates freeze ends 30 June 2025

The freeze on Centrelink deeming rates for financial investments will end on 30 June 2025, with no confirmation on an extension yet. The Minister sets deeming rates by legislative instrument without needing parliamentary approval. Current deeming rates and thresholds that will remain effective until 30 June 2025 (unless extended) are summarised below:

Deeming rate	Single	Couple (combined)
0.25%	Up to $62,600	Up to $103,800
2.25%	Above $62,600	Above $103,800

Legacy retirement product conversions

A somewhat underrated law change, effective from 7 December 2024, will allow clients to exit a range of legacy retirement products for up to five years. This measure enables the conversion of lifetime, life expectancy, and market-linked income stream products (also known as term allocated pensions or TAPs) that began before 20 September 2007. Once converted to a lump sum, the amount can be withdrawn, rolled over to an account-based pension, or rolled back to the accumulation phase.

Help to Buy Scheme

The Help to Buy Scheme, which will take effect the day after it receives Royal Assent, is a shared equity program aimed at helping up to 40,000 low and middle-income families purchase a home with as little as a 2% deposit. To qualify, applicants must have a taxable income below $90,000 for singles or $120,000 for joint applicants, reside in the purchased home, and not currently own a home or land in Australia. Besides the 2% deposit, applicants must also cover all additional costs associated with the purchase, such as stamp duty and legal fees.

Next steps

If you're interested in exploring this topic in more detail, contact your Bell Potter adviser, and they can connect you with our Technical Financial Advice team.

Jeremy Tyzack
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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).
