

WILSONS

Superannuation Changes and Opportunities



Club of Surfers
Sunrise



Disclaimer

This document has been prepared by Wilsons Advisory and Stockbroking Limited (AFSL 238375, ABN 68 010 529 665) ("Wilsons") and its authors without consultation with any third parties, nor is Wilsons authorised to provide any information or make any representation or warranty on behalf of such parties. Any opinions contained in this document are subject to change and do not necessarily reflect the views of Wilsons. This document has not been prepared or reviewed by Wilsons' Research Department and does not constitute investment research.

Wilsons makes no representation or warranty, express or implied, as to the accuracy or completeness of the information and opinions contained therein, and no reliance should be placed on this document in making any investment decision. Any projections contained in this communication are estimates only. Such projections are subject to market influences and contingent upon matters outside the control of Wilsons and therefore may not be realised in the future. Past performance is not an indication of future performance.

In preparing the information in this document Wilsons did not take into consideration the investment objectives, financial situation or particular needs of any particular investor. Any advice contained in this document is general advice only. Before making any investment decision, you should consider your own investment needs and objectives and should seek financial advice. This document does not constitute or form part of an offer or invitation to subscribe for or purchase any securities, and neither this document nor anything contained within it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

All figures and data presented in this research are accurate at the date of the report, unless otherwise stated.

Please see relevant Wilsons disclosures at www.wilsonsadvisory.com.au/disclosures.

www.wilsonsadvisory.com.au

Superannuation Changes

Super guarantee (SG) contributions from employers will continue to increase

Currently 10.5% and is set to rise again to 11% on 1 July 2023 to 12% in FY26.

The \$450 monthly minimum threshold before an employer has been required to make super guarantee payments has been removed.

Source: Refinitiv, Wilsons

Superannuation Changes

The minimum pension payment 50% temporary reduction to cease

During the COVID crisis, the Government reduced the minimum amount required to be withdrawn from your pension each year to assist retirees conserve their retirement capital.

Reverts to standard minimum drawdown requirement based on age i.e 4% if aged 65.

Source: Refinitiv, Wilsons

Superannuation Changes

Removal of the work test for non-concessional contributions

Eligible clients can now make these contributions to super until age 75 (was previously 67).

Example: Client Aged 74 utilised the 'bring forward arrangement' contributing \$330,000 into super with future earnings tax free.

Source: Refinitiv, Wilsons

Superannuation Changes

Clients become eligible for downsizer contributions from an earlier age

Age 60. \$300,000 per member of a couple can be added to super when selling your main residence (if held for 10+ years) in addition of any caps.

Source: Refinitiv, Wilsons

Proposed Superannuation Changes

The general transfer balance cap will be indexed from \$1.7 million to \$1.9 million on 1 July 2023.

Individuals who start their first retirement phase income stream from this date will be able to hold an additional \$200,000 in pension phase.

If you have not maximised the \$1.7m in pension phase previously you are also entitled to a proportional increase.

Source: Refinitiv, Wilsons

Proposed Superannuation Changes

Small business CGT cap increasing to \$1,705,000 (from \$1,650,000)

Allows business owners who have not had the opportunity to contribute to super over their lifetime to boost their super when they sell their business.

The business owner is exempt from paying CGT if they contribute the capital gain from the sale of an active asset to their super fund.

Source: Refinitiv, Wilsons

PROPOSED Superannuation Changes

From 1 July 2025, the Government has proposed they will reduce the tax concessions available to individuals whose total superannuation balances exceed \$3 million at the end of the financial year.

Individuals with balances over this threshold would be subject to an additional tax of 15 per cent on the earnings on any balance that exceeds the \$3 million threshold, effectively bringing the headline tax rate on earnings corresponding to that proportion of the balance greater than \$3 million to 30 per cent.

Source: Refinitiv, Wilsons

Industry concerns that have been flagged include

- No indexation of threshold
- Taxation of unrealised gains / losses
- No refund if cannot utilise a carry forward loss
- Timing of asset revaluations – listed v unlisted assets
- Issues with ability to pay (or not pay)
- Death benefit pensions
- Structured settlements and other “contributions”
- Defined benefit rules

Source: Refinitiv, Wilsons

Example

If your total super balance at the beginning of the year is \$4 million, your total super balance at the end of the year is \$4.5 million, it's 15% times that \$500,000 worth of earnings multiplied by that one third proportion, which is the amount your balance is over the \$3 million and that gives you an extra tax under the new proposed rules of \$25,000 for that year.

*Excludes use of carried forward losses, franking credits and other deductions.

Source: Refinitiv, Wilsons

What should I do?

NOW

- Spouse Equalisation
- Be patient – 30 June 2025 ie. Financial year 2026 with an election prior

FUTURE if implemented

- Supporting the next generation
- Asset allocation changes (less incentive to chase growth in super)
- Investment Structure Planning; use of Family Trust or holding more assets in personal names

Source: Refinitiv, Wilsons

3 Surprising Facts about Super

Superannuation is a 'non-estate' asset and does not automatically pass in accordance with your Will.

Passing of superannuation will either be determined by: A binding death benefit nomination; The discretion of the fund's trustee.

3 Surprising Facts about Super

Super passed to Adult Children upon death is TAXABLE – who said Australia doesn't have an inheritance tax!

The 'Taxable Component' is taxable at 17%.

Example: \$1,000,000 in super with \$500,000 'Taxable Component'

$\$500,000 \times 17\% = \text{\$85,000}$ Tax payable

Self-Managed Super Fund

~~XXXXXX~~ Superannuation Fund (ABN: ~~12 345 678 901~~)

Consolidated Member Benefit Totals

Period		Member Account Details	
1 July 2020 - 30 June 2021		Residential Address:	123 Main St, Sydney NSW 1500
Member	Number: 1	Date of Birth:	30 November 1959
XXXXXXXXXX		Date Joined Fund:	4 February 2003
		Eligible Service Date:	4 February 2003
		Tax File Number Held:	Yes

*Note: this report provides a consolidated view of the Member's interests in the SMSF
Refer to the Member Benefit Statements produced for each member account for further details*

Your Accounts		Your Tax Components	
Withdrawal Benefit as at 1 Jul 2020		Tax Free	623,278.56
Accumulation	-	Taxable - Taxed	881,541.28
Pension 1	910,817.65	Taxable - Untaxed	-
Pension 2	120,949.39	Your Preservation Components	
Pension 3	102,227.81	Preserved	-
Total as at 1 Jul 2020	1,133,994.85	Restricted Non Preserved	-
Withdrawal Benefit as at 30 Jun 2021		Unrestricted Non Preserved	1,504,819.84
Accumulation	-	Your Insurance Benefits	
Pension 1	1,208,654.20	No insurance details have been recorded	
Pension 2	160,501.96	Your Beneficiaries	
Pension 3	135,663.68	Non Lapsing Binding Death Nomination*	
Total as at 30 Jun 2021	1,504,819.84	Legal Personal Representative	
		* Nomination in effect from 6 January 2014	

Retail or Industry Fund

QSuper Accumulation Account Client Summary

Account details

Current day balance: \$838,074.54 @ 06 February 2023

Preserved: \$838,074.54	Restricted non-preserved: \$0	Unrestricted non-preserved: \$0
-----------------------------------	---	---

Tax-free component: \$40,713.33	Taxable component: \$797,361.21	Surcharge debt: \$0
---	---	-------------------------------

3 Surprising Facts about Super

Further your SMSF may face a capital gains tax liability upon paying death benefits to a beneficiary outside of superannuation.

Pension tax exemption no longer applies once a member dies –
CGT payable at 10% (or 15% if held <1 year).

Example: \$100,000 Gain on CBA Shares
Sold in pension - \$0 tax vs \$10,000 tax payable

Any Questions?