

SMSFS AND RETIREMENT PLANNING

in the latest policy environment

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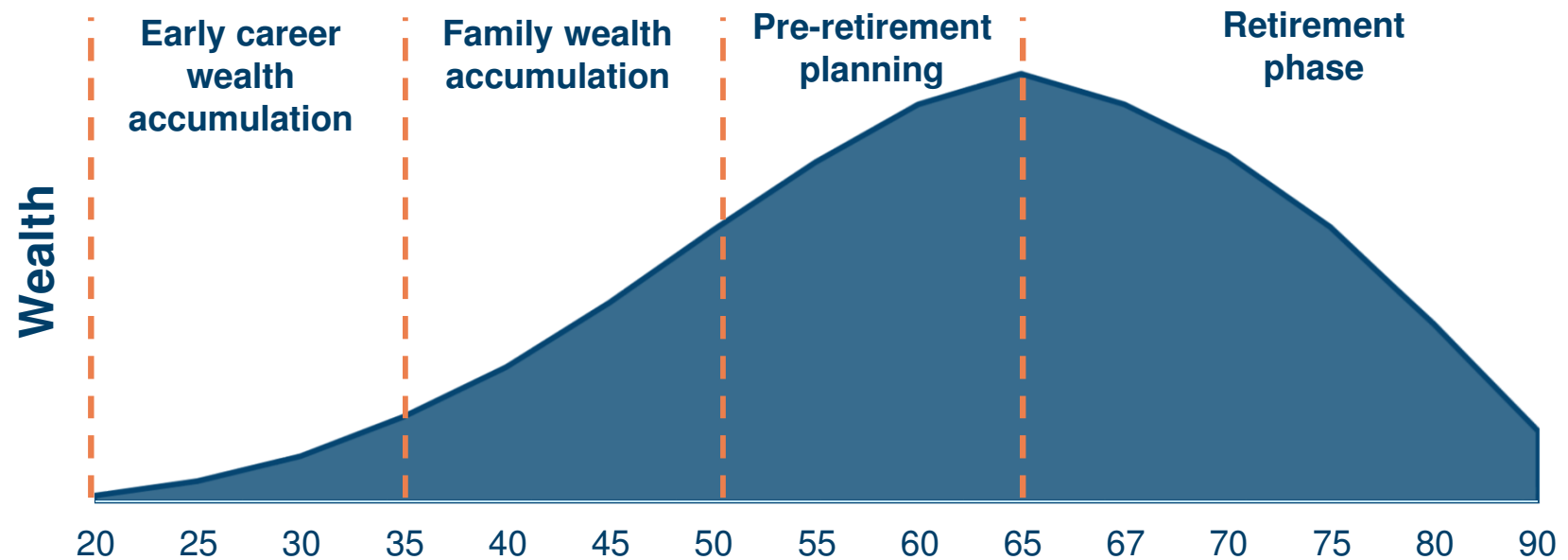
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RETIREMENT PLANNING



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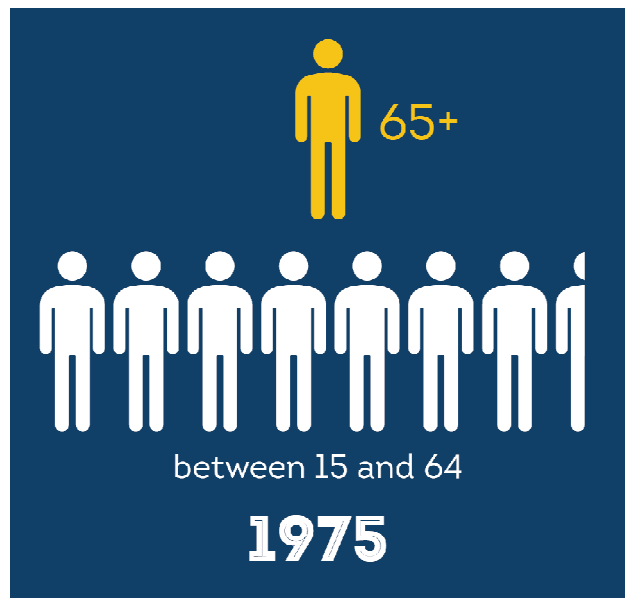
AGENDA

- 1 | Latest super policy changes
- 2 | Retirement planning strategies
- 3 | Strategies for growing your super



1 LATEST SUPER POLICY CHANGES

DEPENDENCY RATIO





Podcast

Assistant Treasurer Kelly O'Dwyer
Interview with Ross Greenwood, 2GB



BUDGET 2018 CHANGES TO SUPER

Targeted changes

- Super work test exemption – for balances below \$300,000
- Helping high income earners prevent contribution breaches
- SMSFs may move to three year audit cycle
- Maximum member limit for SMSFs to increase from 4 to 6 members



BUDGET 2018 CHANGES TO SUPER

Protecting smaller super balances

- Ban exit fees
- Annual fee cap
- Increased ATO power to consolidate inactive super accounts
- Insurance in super moves to 'opt-in'
 - If under 25,
 - Balance below \$6,000 or
 - No contributions for 13 months and account inactive



BUDGET 2018 CHANGES TO SUPER



Protecting smaller super balances

- Keeping insurance cover – what to consider?
 - Health situation
 - Debt levels versus other assets and income
 - Spouse and dependents
- **Triggers to review Insurance;** buying a home, change to relationship status, starting a family



MORE CHOICES FOR A LONGER LIFE PACKAGE

Covering a range of areas, including:

-  **1** Support for employment, skills training and health needs
-  **2** Aged care funding
-  **3** **Retirement income considerations**
 - Retirement Income framework
 - Pension Loans Scheme expanded
 - Increase to Pension Work Bonus

MORE CHOICES FOR A LONGER LIFE PACKAGE

Retirement income framework

Increasing support and product choice for super fund members in retirement via the introduction of:

1 A retirement income covenant

AND

2 Comprehensive Income Products for Retirement (CIPRs)



Age Pension means test concessions from 1 July 2019

Asset

60% of purchase price assessed until age 84, or a minimum of 5 years. Thereafter, 30% assessed for remainder of person's life

Income

A fixed 60% of the annual payments

MORE CHOICES FOR A LONGER LIFE PACKAGE

Pension Loans Scheme

Eligibility expanded to include those on the full age pension and self funded retirees

- Unlock home equity
- Paid fortnightly
- Tax free



Loan can be repaid: at any time or when the retiree...

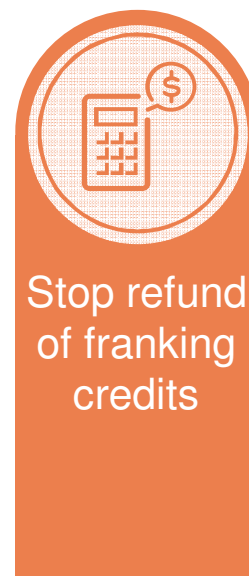
Moves into aged care

Sells home

Passes away

► **An option for 65+ to boost income in retirement**

LABOR'S BUDGET REPLY



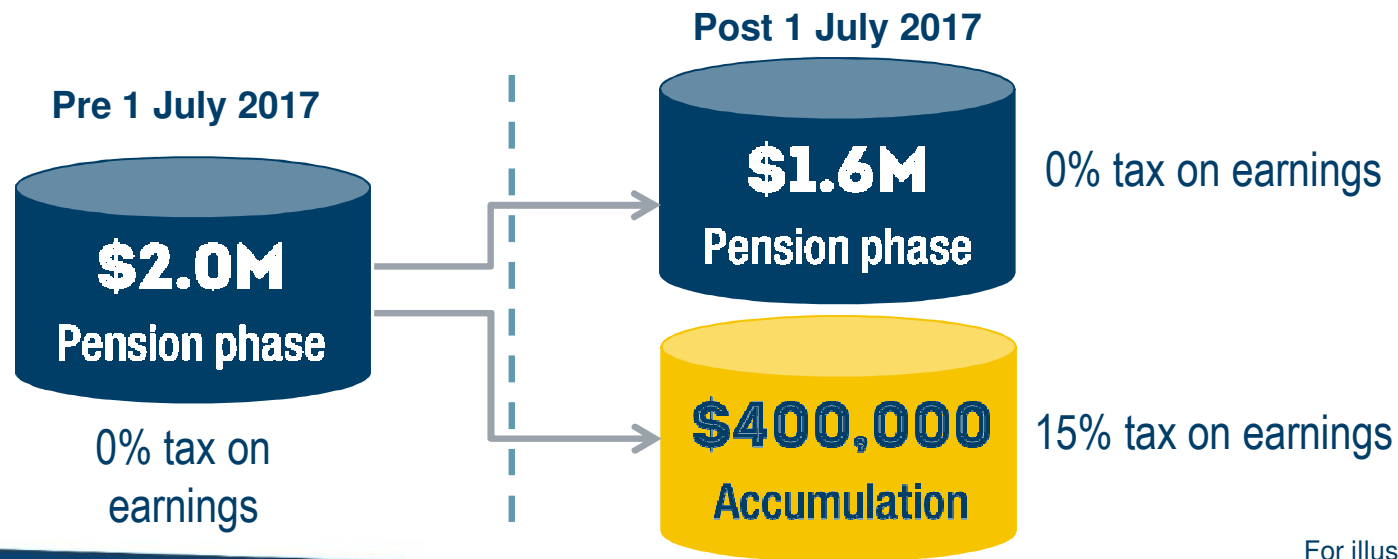


2 RETIREMENT PLANNING STRATEGIES

\$1.6M PENSION BALANCE TRANSFER CAP

What is it?

Example scenario

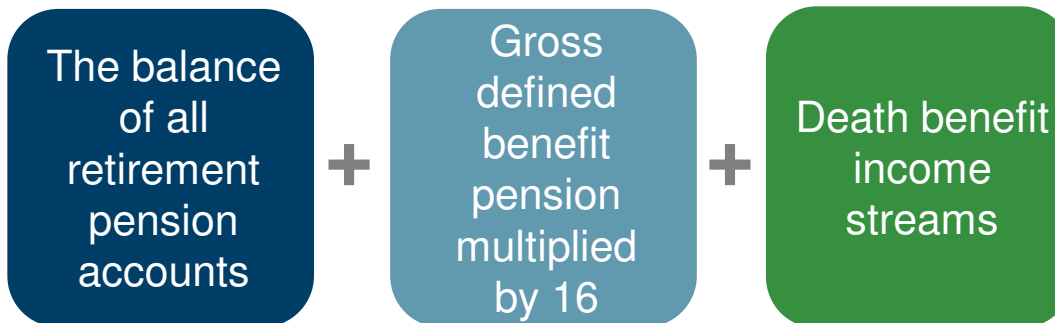


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HOW THE PENSION BALANCE TRANSFER CAP WORKS?

A lifetime \$1.6 million per person cap applies to the amount of money which can be transferred into tax free retirement pensions

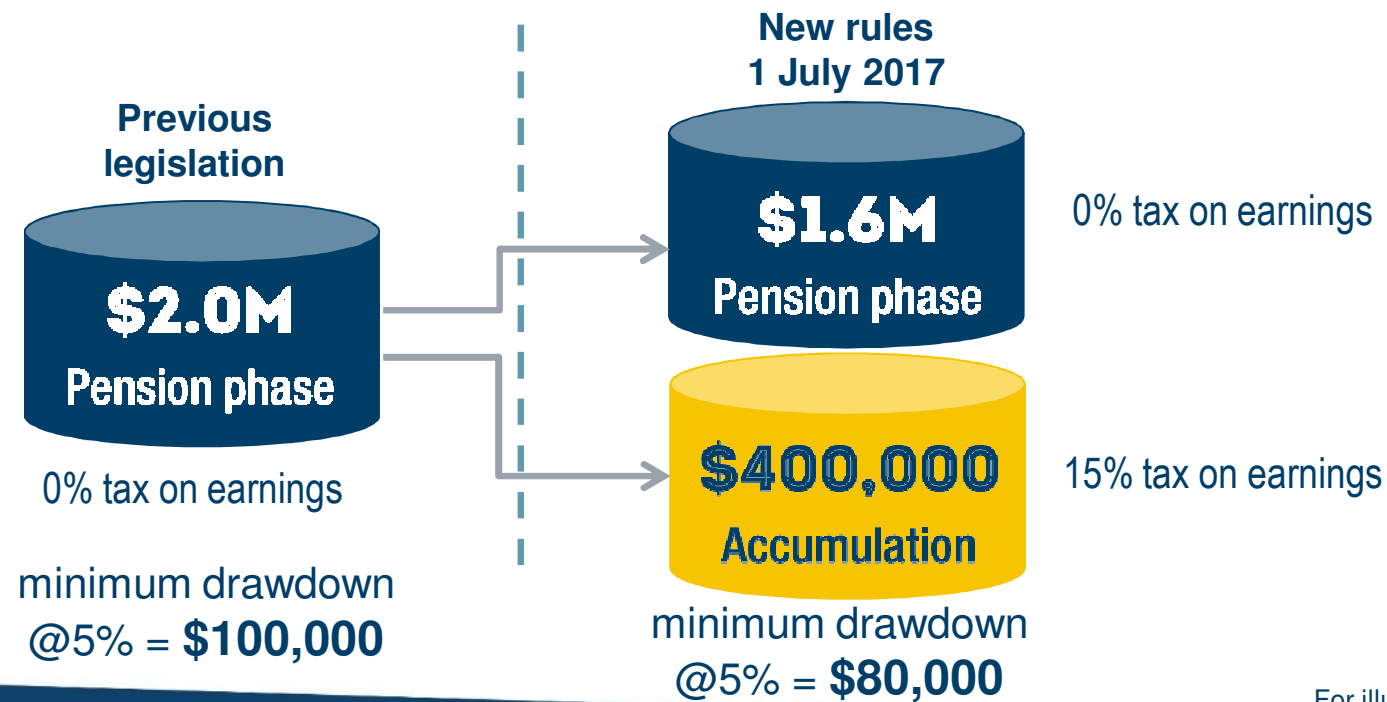
This includes



It does not include

- ✗ Transition to retirement pension accounts
- ✗ Accumulation accounts

REVIEW ALLOCATION OF PENSION DRAWDOWN



For illustrative purposes only

REVIEW ALLOCATION OF PENSION DRAWDOWN

Sue's retirement pension



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▶ **What does she need to tell her SMSF accountant?**

REVIEW ALLOCATION OF PENSION DRAWDOWN

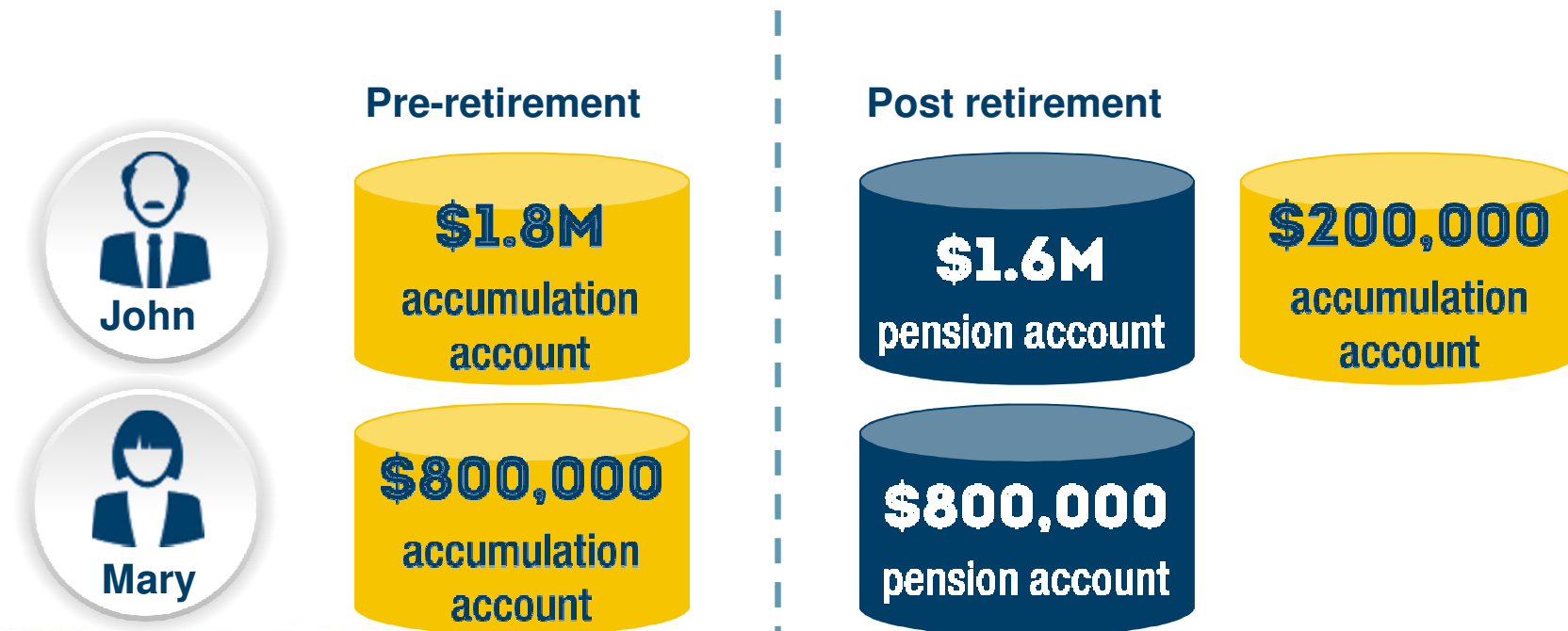
Sue's retirement pension



- Allocate as a lump sum withdrawal (called a commutation).
- Provide instructions on allocating before taking the \$100,000

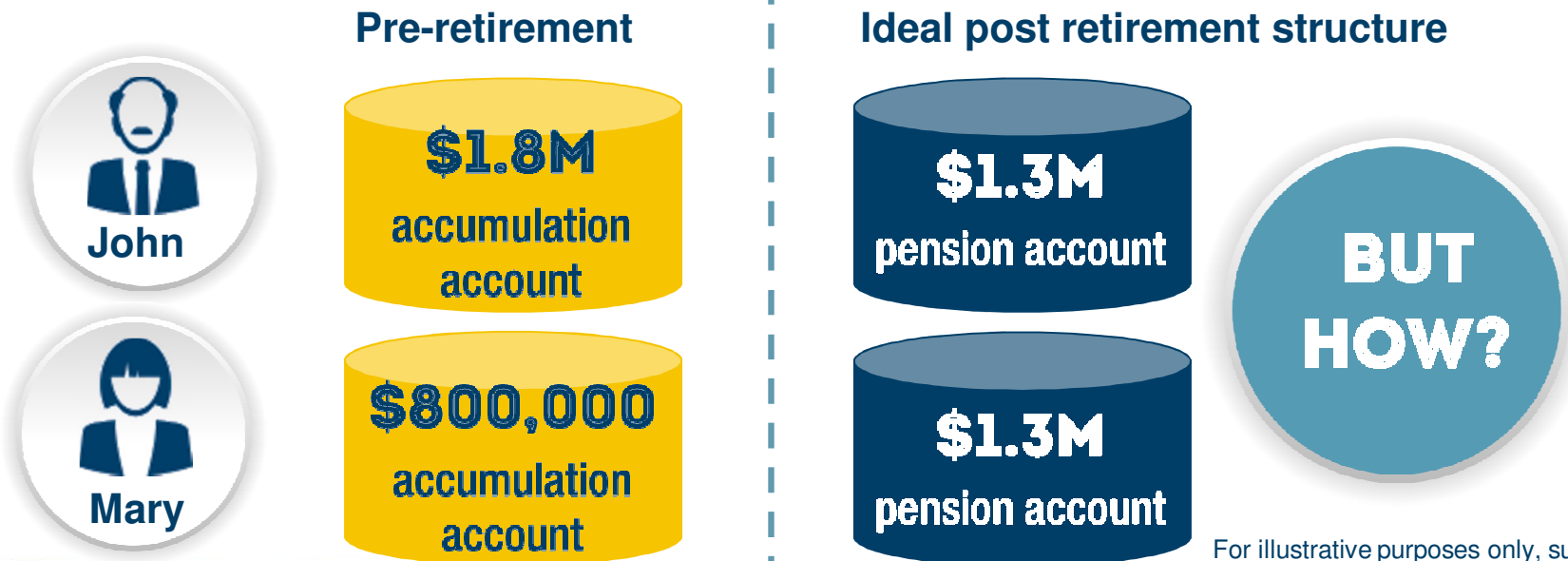
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COMMON STRUCTURE AT RETIREMENT



For illustrative purposes only

EQUALISE RETIREMENT BALANCES WITH SPOUSE



RECAP – THE \$1.6 MILLION LIMITS

1 Pension balance transfer cap

2 Total super balance

NON-CONCESSIONAL CONTRIBUTIONS TIED TO BALANCE

Non-concessional contribution conditions

- Total super balance must be less than \$1.6 million
- If aged 65–75 years, you need to meet the work test
- Contribution limits apply

Contribution type	Age	Contribution limit
Non-concessional	Up to 75	\$100,000 p.a.
(3 year averaging provision)	Under 65*	\$300,000

*Age at 30 June, 2018

OTHER OPTIONS FOR LARGE CONTRIBUTIONS? THE DOWNSIZING PROVISION

Enables contribution of up to \$300,000 into super from 1 July 2018 if



▼
Lived in and
owned for 10+
years

▼
But Pension
Balance Transfer
Cap still applies

OTHER OPTIONS FOR LARGE CONTRIBUTIONS?

- 1** Small business contribution rules can help you get up to \$1.48m into super – very strict conditions, but can also provide large CGT concessions
- 2** 2018 Budget proposal to allow 65–74 year olds with less than \$300,000 in total super to make contributions without needing to meet the work test (*applies for 12 months from the end of the financial year in which they last met the work test).

TIMING MATTERS

Plan ahead for non-concessional contribution conditions

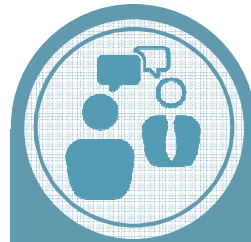
Total superannuation balance on 30 June 2018	Maximum non-concessional contribution for 2018–19 using bring forward rules*
Below \$1.4m	\$300,000
\$1.4–\$1.5m	\$200,000
\$1.5–\$1.6m	\$100,000
\$1.6m	NIL

*subject to meeting age and work test eligibility criteria

NEW SUPER CONSIDERATIONS



Allocate
draw downs
to protect
your tax-free
retirement
pension
account



Work
together as a
couple to
maximise
concessions



Know the
new
contribution
methods and
rules



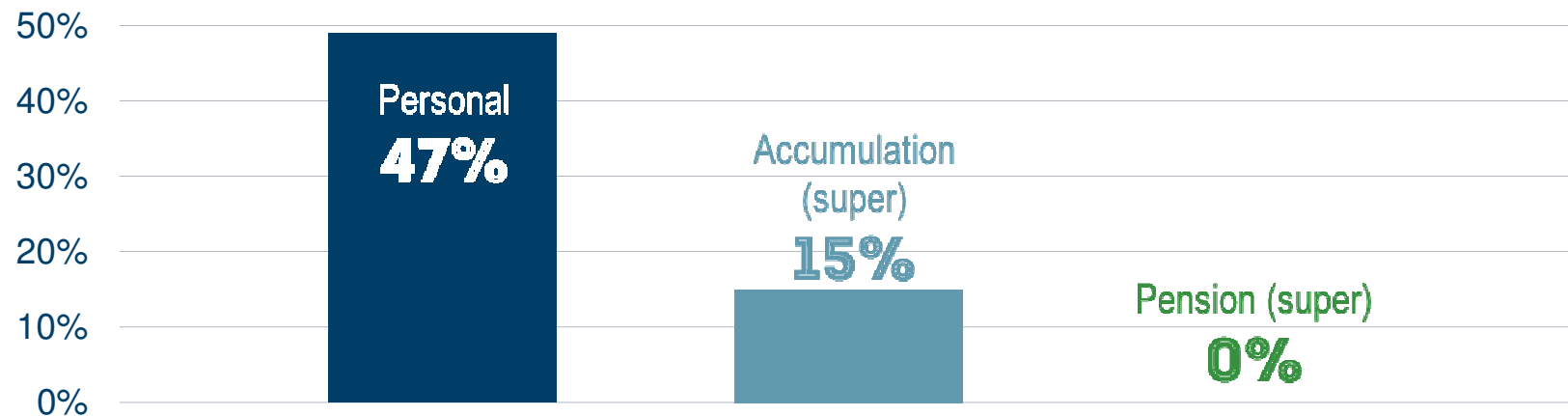
Plan ahead
– timing
matters



3 SUPER TAX STRATEGIES

TAX ON INCOME

It pays to get the structure right



Note: Maximum personal tax rate up to 47%. Personal tax rates include 2% Medicare levy.

IT'S NOW EASIER TO MAKE CONCESSIONAL CONTRIBUTIONS

Concessional (tax deductible) contributions

e.g. Super guarantee by an employer, salary sacrifice, personal deductible or self-employed contributions.

Contribution type	Age	Contribution limit
Concessional	Up to 75*	\$25,000 p.a.

Conditions

- If you are aged 65–75 years, you need to meet the work test

*Contributions accepted up to 28 days after month in which you turn 75

BOOST SUPER AND SAVE TAX



Brian

Brian expects he will generate \$150,000 in taxable income from a combination of investment income and capital gains on the sale of a large parcel of shares

For illustrative purposes only inclusive of Medicare Levy.

BOOST SUPER AND SAVE TAX



Brian

\$150,000

in taxable income

\$25K

Into super as a concessional contribution



\$3,750

(15%)

Tax paid by super fund on contribution

BUT

\$9,750

The tax reduction he creates from claiming \$25,000 as a tax deduction on his personal tax return

=

\$6,000

Overall tax saving

For illustrative purposes only inclusive of Medicare Levy.

BOOST SUPER AND SAVE TAX



Brian

Brian expects he will generate \$150,000 in taxable income from a combination of investment income and capital gains on the sale of a large parcel of shares in 2019-20

For illustrative purposes only inclusive of Medicare Levy.

CATCH UP CONTRIBUTIONS

1

Ability to carry over prior year 'unused' concessional contribution

2

Commences 1 July 2018, but first time unused contributions can be applied is 1 July 2019

3

Must have less than \$500,000 in super

– Very effective for people with breaks in employment including primary caregiver, also those with variable income – self employed, investors

RE-CAP – BOOST SUPER AND SAVE TAX



Brian

\$25K

Into super as a
concessional
contribution



\$3,750
(15%)

Tax paid by super
fund on contribution

BUT

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The tax reduction he creates
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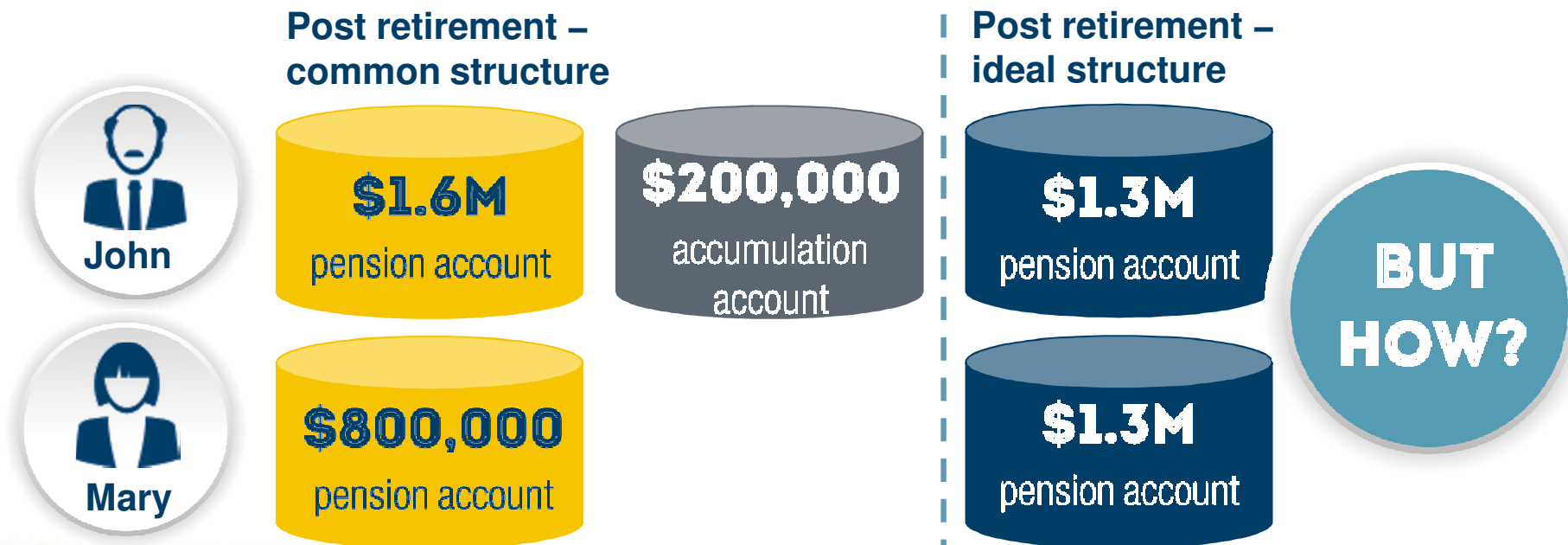
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\$6,000

Overall tax saving

For illustrative purposes only
inclusive of Medicare Levy.

RE-CAP – POST RETIREMENT STRUCTURES



For illustrative purposes only

INCLUDING FAMILY MEMBERS IN YOUR SMSF

Potential attractions

- May allow larger families to include all children in single fund
- Easier to coordinate wealth management as a family unit
- Opportunities for intergenerational wealth management
- Original trustees can gradually work on succession plan
- Employer SG and concessional contributions from adult children provides cashflow (& taxable income) to the SMSF



INCLUDING FAMILY MEMBERS IN YOUR SMSF

Considerations

- Administration and logistics
- Changes control and dynamics of SMSF
- Managing investment objectives



SUPER TAX STRATEGIES

1

Easier than ever to make concessional tax deductible concessions

2

Catch up contributions offer opportunities to manage variable income

3

Consider bringing children into family wealth and estate planning earlier

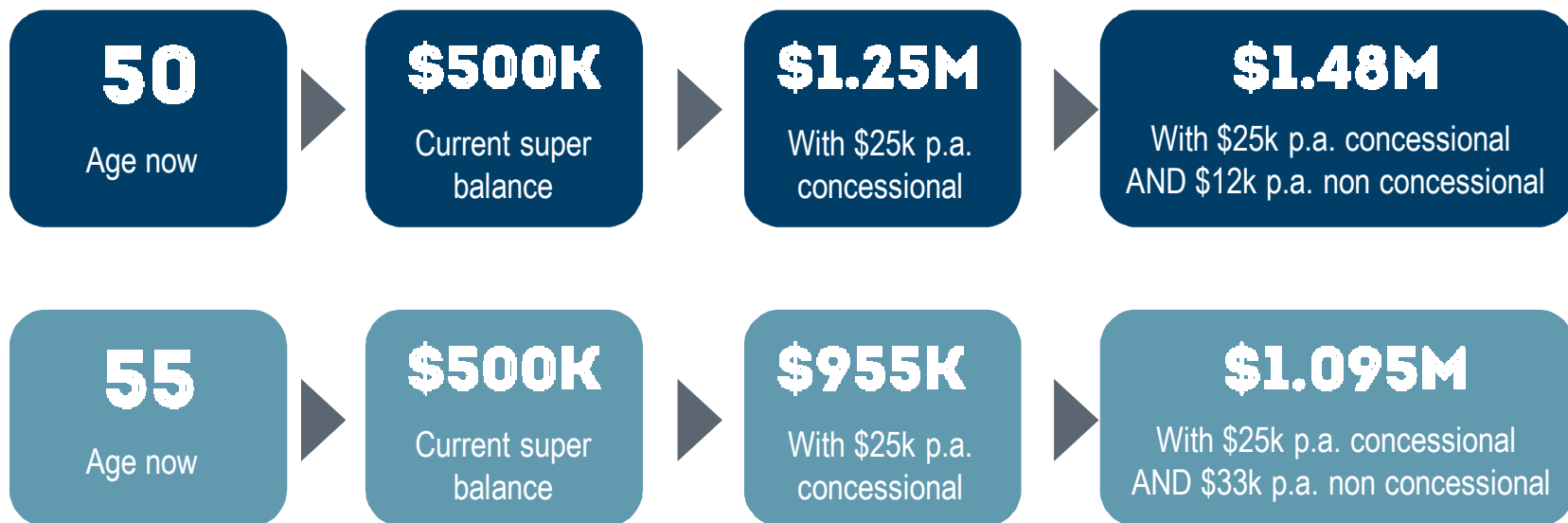
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Build capacity in family to manage investments and complex decisions



4 STRATEGIES FOR GROWING YOUR SUPER

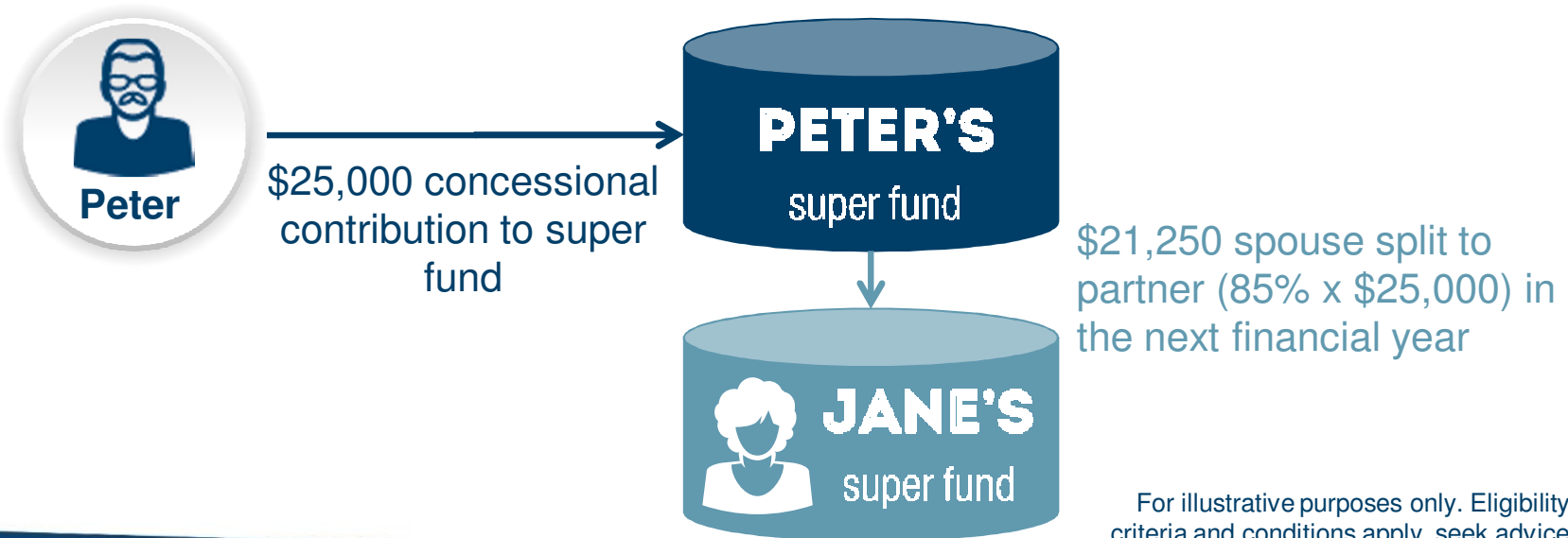
STRONG SUPER BALANCES – STILL ACHIEVABLE



For illustrative purposes only. All figures are expressed in today's dollar terms and rounded to the nearest \$5,000. Assumes 3.5% earnings above inflation, earnings estimates are not a predictor of future performance

SPOUSE CONTRIBUTION SPLITTING

Another way for couples to work together



For illustrative purposes only. Eligibility criteria and conditions apply, seek advice

FIRST HOME SUPER SAVER SCHEME

Saving within Super for first home purchase

From 1 July 2017

- Individuals will be able to make voluntary contributions into super which can be withdrawn to purchase a first home
- Average wage earner benefits by about \$5,000-\$6,000 if they use the maximum

Annual contribution limit will be \$15,000 with an overall limit of \$30,000 per person

- Overall super contribution limits and range of other criteria apply
- 15% tax on salary sacrifice contributions
- can also use personal non-concessional contributions

Withdrawals will be accessible from 1 July 2018

- 0%–17% tax on withdrawals

► **Remember to check your contribution cap space**

OTHER PLANNING OPPORTUNITIES



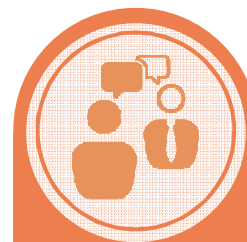
Start
boosting
your super
as early as
possible



Consider a
**multi-
pronged**
contribution
strategy



First home
super saver
scheme is
flexible and
tax effective



Work together
as a couple to
build
retirement
assets and
maintain
equity



**THANK YOU...
DO YOU HAVE ANY
QUESTIONS?**

Book your SMSF
consultation* today
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