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NATIONAL

How wealthy couples will turn millions in superannuation into bigger tax-free pensions

Australians will soon be able to move $3.4 million of their superannuation money into their pension. See how it affects you.

Anthony Keane, Personal finance writer, News Corp Australia Network | Subscriber only | February 22, 2021 11:49am

Wealthy couples will soon be able to pump $3.4 million of their superannuation money into tax-free retirement pensions – a $200,000 increase on current levels.

The increase, from July 1, stems from inflation-linked indexation of a key superannuation cap and comes at a time when plans to increase compulsory super payments for all Australians appear uncertain.

The Federal Government introduced its transfer balance cap in 2017 at $1.6 million per person to prevent the richest retirees from storing many millions of dollars in tax-free account based pensions. Its looming $100,000 rise reflects last month's increase in Consumer Price Index inflation.

At the other end of the wealth scale, average workers could lose their legislated rise in employers' superannuation guarantee payments, from 9.5 per cent to 10 per cent on July 1 and then to 12 per cent by 2025, if the Federal Government agrees with a growing chorus of commentators who say now is not the time to hit businesses with extra costs.

Industry Super Australia says an average 30-year-old couple will get a $170,000 boost to their retirement savings when the super guarantee rises to 12 per cent.

Industry Super Australia chief executive Bernie Dean.Picture: Supplied

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Chief executive Bernie Dean said some benefits for the richest retirement savers should be addressed.

"Some government concessions in the super system are poorly targeted and benefit the wealthy over those on lower incomes," Mr Dean said.

"The answer to system inequality is not ripping away the guaranteed and promised super increase that will benefit millions of lower income workers – a boost that has been long-promised and will make a huge difference to their life in retirement."

Financial strategist Theo Marinis said compulsory payments should be lifted as legislated.

"When they brought in the superannuation guarantee in 1992 at 3 per cent there was the same argument – 'we can't afford it'," Mr Marinis said.

But without it, Australians would not now have a combined superannuation savings pool of $3 trillion, he said.

"People are much better off in retirement than they were in the 1980s."

Financial strategist Theo Marinis, principal of MarinisFinancial Group.

Mr Marinis supports the expanded $1.7 million per person transfer balance cap.

"It's aspirational," he said.

Retirees with such large balances would never require government pensions, which for a couple were the equivalent of a $700,000 super nest egg, Mr Marinis said.

"We want more people to get as close to the $1.7 million as they can – that's the aim of super."

The Australian Taxation Office says the new, higher cap only applies to people who start their tax-free pensions after July 1.

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Figures from super industry group ASFA and the Australian Bureau of Statistics show the average super balance of Australians aged 55 to 64 is $332,700 for men and $245,100 for women, while the median balances are $183,000 and $118,600 respectively.

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