

How superannuation's death tax can be avoided

By ANTHONY KEANE

5:00AM OCTOBER 21, 2025

A gap is widening between the haves and the have-nots when it comes to retirees avoiding Australia's de facto inheritance tax on superannuation death benefit payments.

As more Baby Boomers retire with bigger nest eggs and [too few financial planners](#) means professional advice is expensive and harder to find, many seniors are missing out on the [superannuation recontribution strategy](#).

In a nutshell, this tactic involves withdrawing super tax-free after age 60, then pumping money straight back into super as a non-concessional (non-taxable) contribution, but there are [limits, caps and conditions of release](#) that apply.

But the end result is that much less tax is payable by non-dependent beneficiaries, such as adult children, when a parent dies. Without it they can be slugged 17 per cent tax on much of mum or dad's nest egg.

Super inherited directly by a spouse does not attract this tax, but after one partner has died and the adult children are next in line, the taxable component of super – including employer and other tax-deductible contributions plus their earnings over many years – faces [a 15 per cent tax](#) plus the 2 per cent Medicare levy.

MLC head of technical services Jenneke Mills said people often missed financial opportunities because they did not recognise triggers for advice in their own lives.

“It's a classic case of ‘you don't know what you don't know’,” she said.

<https://www.theaustralian.com.au/wealth/superannuation/how-superannuations-death-tax-can-be-avoided/news-story/1d2f70423aecf63cd77ea4c7806eb3ad>

“It’s most often financial advisers who identify potential benefits of a retribution strategy and recommend it to clients. Many people without an adviser may miss out on the potential benefits.”

The number of registered financial planners has plunged 44 per cent from 28,000 in 2019 to 15,600 today, according to The Financial Advice Association Australia.

Advice fees have been pushed higher by the supply squeeze, with the median cost of a financial planner around \$4000 a year, although complex strategies can push fees up towards \$10,000.



Retirees without spouses are most at risk of super’s death tax hitting their estate.

Marinis Financial Group managing director Theo Marinis said people often baulked at the price of advice “because they don’t understand the opportunity cost”.

Mr Marinis said super retribution strategies were “standard operating procedure – we do it all the time”.

“If you have a transfer balance cap of \$2m and your super is all taxable, that’s \$340,000 of death benefits tax you’re leaving to the estate,” he said.

“If you haven’t got a surviving spouse and the kids are going to lose \$340,000, if you’ve got the opportunity to cash out and retribute, why wouldn’t you?”

Mr Marinis said today's retribution strategies had only been possible since 2007 when tax-free super withdrawals started for seniors.

"It's not a death benefits tax, it's a super fund tax, but it's become a death benefits tax because now once you're over 60 you can take it out, pay no tax, then put it back in again – cash out and retribution," he said.

Mr Marinis said super funds should be pushing the strategy more, because many parents and their adult children were unaware there were potential ways to beat the 17 per cent tax, so they simply accepted it as part of an estate's distribution.

"Most Australians don't realise that almost a fifth of their super can be clawed back by Canberra," he said.

JBS Financial Strategists chief executive Jenny Brown said retribution was appropriate for people who had not exhausted their non-concessional contribution thresholds, but it was difficult to understand for people who did not receive professional advice.

"Unless they're with a Facebook group that's all about super and retiring, or have been doing a lot of reading and research, it's not the sort of stuff that you necessarily trip across," she said.

"It's usually because you are advised that you do know about it."

MLC says seniors can reinject money back into super up to their non-concessional contribution cap of \$120,000 per year, although two future years of contributions can be brought forward – allowing for a retribution of \$360,000 per person in one transaction.

Doing this just once can save \$61,200 in tax, it says, by converting super from the taxable super component to the tax-free super component. Advisers say people who time it right can effectively put \$480,000 of non-concessional contributions into super within a few days – \$120,000 before June 30, then another \$360,000 from July 1.

MLC's Ms Mills said "it's always important to look at the timing of contributions".

<https://www.theaustralian.com.au/wealth/superannuation/how-superannuations-death-tax-can-be-avoided/news-story/1d2f70423aecf63cd77ea4c7806eb3ad>

“Superannuation contribution rules are complex,” she said. “Understanding, or even being able to identify, the benefits of a retribution strategy aren’t really basic superannuation concepts – it requires an understanding of contribution rules, super taxation rules, estate planning laws and considerations, social security and aged care rules.”

People should also understand the impact on their super caps. “If you use the bring-forward rule to increase the amount you can retribute, it could significantly limit your ability to make further contributions in the future,” she said.

“Before you do, it’s important to think about what other super contributions you might want to make over the next few years.”

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group

T 08 8130 5130 | F 08 8331 9161 | A 49 Beulah Road, NORWOOD SA 5067

E admin@marinisgroup.com.au | W marinisgroup.com.au

ABN 54 083 005 930 5067 | AFSL No: 326403

Reproduced with the permission of Anthony Keane

Disclaimer:

Performance data quoted represents past performance and does not guarantee future results.

The information in this article is general information only. It is not intended as financial advice and should not be relied upon as such. The information is not, nor is intended to be comprehensive or a substitute for professional advice on specific circumstances. Before making any decision in respect to a financial product, you should seek advice from an appropriately qualified professional on whether the information is appropriate for your particular needs, financial situation and investment objectives.

The information provided is correct at the time of its creation and may not be up to date; please contact Marinis Financial Group for the most up to date information.