

A nice selection of super changes



A fresh wave of superannuation rule changes is affecting older Australians but this year's batch is much more user-friendly than the harsh hits of 2017, writes ANTHONY KEANE

Specialists say some of the positive new changes in superannuation rules this year are not widely understood by seniors, potentially costing them thousands of dollars in missed opportunities.

After last year's financial pain caused tougher age pension assets tests, lower caps on how much pre-retirees could contribute to super, and new limits on how much money could be held in retirees' super pensions, some good financial news is welcome.

The senior-friendly rule changes that started on July 1 include: • Allowing over-65s to each pump up to \$300,000 extra into their super from the proceeds of downsizing their home. • Opening up tax-deductible contributions to more Australians. • Catch-up tax-deductible contributions can be made by people who have not used their full \$25,000 annual cap over the past five years.

More recent announcements, such as Prime Minister Scott Morrison abandoning plans to raise the pension age to 70, and the May 2018 Budget plans to ban super fund exit fees and give newly-retired workers an extra year to get money into super, are also good news.

Dr Martin Fahy, CEO of the Association of Superannuation Funds of Australia, says it is important for both retirees and pre-retirees to keep informed about super opportunities and the caps that apply.

"For individuals who are selling their house and downsizing, the ability for those aged 65 and over to make a non-concessional contribution without needing to satisfy an employment work test is very useful," he says.

"The ability to make use of contribution cap amounts that were not used in the previous five years also will provide pre-retirees with an additional source of flexibility and potentially substantial tax advantages.

"Banning exit fees will also assist older Australians if they want to shift from an existing superannuation account to one that is better for them." Financial strategist Theo Marinis says many people are unaware of the new home downsizing incentives.

Pumping extra money into super is still a good idea, Marinis says, because despite the flurry of rule changes in recent years, retirees' account-based pensions – previously known as allocated pensions – are still tax-free up to an individual's pension balance cap of \$1.6 million. "A husband and wife can have \$3.2 million sitting in an account-based pension tax free," he says.

All earnings and growth on any investments in these super pensions do not attract income tax or capital gains tax.

"There's nowhere else you can do that legally – they're still the best idea since sliced bread," Marini advises.

Australian Institute of Superannuation Trustees CEO Eva Scheerlinck says many of the latest Budget changes – such as giving retirees more time to contribute to super and allowing them to earn more from employment without affecting their pensions – have not yet begun. She says the 2017 pension asset test changes were very harsh on Middle Australia.

“It means less retirement income for many middle-income Australians, and we would like to see a much fairer test implemented,” Scheerlinck says. “It’s removed age pension payments for a lot of retirees and has seen the level of government support – made up of super tax concessions and age pension – drop by up to 40 per cent for those on average incomes.”

The 2017 changes resulted in the top 10 per cent of Australian wage earners receiving far more government financial support – through super tax concessions over their working lifetime – towards their retirement income than middle income earners.

“A retirement income system where high-income earners are effectively receiving almost double the financial assistance from the government to save for their retirement than individuals on the part pension is not a fair system nor a sustainable system,” Scheerlinck says.

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