



• DOWNSIZER CONTRIBUTIONS INTO SUPERANNUATION

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The Downsizer Contribution is available for Australians aged 65 years or older who are selling their home which was owned for 10 years or more. Up to \$300,000 (per person) can be contributed into superannuation.

For some Australians, selling the family home can be a great way to release built-up equity to pay for retirement living expenses or in-home support that will allow you to stay at home longer.

BENEFITS

- The Downsizer Contribution provides the opportunity to make an additional superannuation contribution irrespective of age, employment status or total superannuation balance.
- Downsizing contributions are invested within the superannuation environment and can take advantage of the lower tax rate levied on investment returns within the superannuation system. Earnings received on a superannuation balance are taxed concessionaly. If an individual then commences an allocated pension, the earnings will be tax free (subject to Transfer Balance Cap limits)
- Funds invested in superannuation can be accessed if a condition of release is met.

HOW IT WORKS

The total amount of downsizer contributions that can be made is the lesser of:

- \$300,000 per individual, and
- The total proceeds received by an individual or their spouse from the sale of the property.

For example, if a qualifying property is sold for \$200,000, then this is the maximum downsizer contribution permitted by an individual or able to be shared between the member and their spouse.

On the other hand, if this property is sold for \$700,000, \$300,000 will be the downsizer contribution cap for an individual. The spouse of the individual can also make \$300,000 downsizer contribution and this is the case even if the spouse does not hold an ownership interest in this property.

To make a downsizer contribution, you will need to

- check the eligibility requirements for making a downsizer contribution
- confirm that your superannuation fund can accept downsizer contributions.

- complete the downsizer contribution form when making, or prior to making, the contribution. If you are eligible to make multiple downsizer contributions or wish to make downsizer contributions to different superannuation funds, you must provide a form for each contribution.
- confirm that you have met all the eligibility requirements.
- The total amount of downsizer contributions you (each individual) can make must not exceed \$300,000.
- ensure that all downsizer contributions must be made to your superannuation fund within 90 days of receiving the proceeds of sale, usually the date of settlement.

WHAT YOU NEED TO CONSIDER

- The costs involved in selling a family home can be substantial due to high stamp duty and land taxes, so if you are considering downsizing, you should carefully calculate this impact.
- Your superannuation balance (including downsizing contributions) or balances retained from the sale of the home are included in the Centrelink Assets and Income Test, which could affect the Age Pension, residential aged care and home care service eligibility and fees. The exemption for funds set aside for a new home purchase is no more than 12 months for Centrelink/DVA
- The Transfer Balance Cap applies on the amount of superannuation savings they can move into tax-exempt retirement phase income streams. If a person has reached their transfer balance cap limit, then any downsizing contribution made will need to remain in accumulation phase and will be subject to tax on any earnings derived from the investments made from that contributions.
- Before accepting contributions under the downsizing scheme, superannuation funds require verification on behalf of the ATO that downsizing contributions are from the sale of a family home owned for more than 10 years.
- A downsizer contribution cannot be claimed as a deduction.

REFERENCES



You may wish to refer to the following websites for further information about downsizer contributions into superannuation:

- www.ato.gov.au
- www.moneysmart.gov.au
- www.serviceaustralia.gov.au

The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.