News Release

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SUPER ACTION PLAN FOR 2017

Superannuation reforms a catalyst to reevaluate all sources of retirement income

Checklist of strategies for pre-retirees and retirees before and after reforms are implemented

Recent superannuation reforms should be a catalyst for Australians to reevaluate their retirement strategies and take advantage of opportunities to boost their savings within new limits imposed by the government, according to a new Super Checklist released today by HSBC Australia.

“Superannuation is complex and the new reforms can make it even more confusing for people planning their retirement income. However, it is worth taking the time to understand the changes because even with the reforms, superannuation is still one of the most tax-effective way to save for retirement,” says Scott Ellis, Head of Wealth, HSBC Australia.

“There are various strategies you can implement to maximise your retirement income. These range from the relatively simple tactic of increasing concessional and non-concessional contributions this financial year, to more detailed strategies that may require help from a financial planner to implement,” continues Ellis.

For example, at first glance the introduction of a pension account cap of $1.6 million can appear to be disadvantageous for retirees. However, there is an opportunity for married couples to spread their eligible income across two accounts before 30 June 2017. If one has over $1.6 million and the other is under the cap, the spouse with the higher balance could consider withdrawing the excess and putting into the other’s account. This will allow them to maximise the total amount (up to $3.2 million) that can be invested tax-free. Similarly, singles whose pension account balance is over the new cap could consider withdrawing the excess funds in one lump sum and investing the capital elsewhere or back into an accumulation account before 30 June.

Those who are in the TTR phase and still working should consider rolling their TTR pension back into the savings phase of their superannuation if they do not require the additional income from the TTR pension to supplement living expenses. From 1 July, the tax exemption on earnings within TTR pension will be removed and it may be more appropriate to simply set up a regular superannuation contribution strategy such as salary sacrifice.

Restructuring assets could also offset the impact of the new age pension asset test rules, enabling people to maintain their current Centrelink payments (see case study below).

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Case study: How to keep the age pension

Mary, age 67, and Bob, age 61, are retired homeowners and Mary currently receives a part age pension. Her entitlement is based on the assets test as they have assessable assets of $750,000, comprising home contents of $10,000, a holiday home valued at $140,000 and Mary's superannuation benefit of $600,000.

Bob's superannuation benefit of $200,000 is not assessed as he is under the age pension age.

To maximise her age pension, Mary can withdraw $300,000 tax free (as she is at least age 60) from her superannuation account. Bob can then, subject to contribution caps, contribute the $300,000 proceeds to his superannuation account as a non-concessional contribution.

As Bob is under age 65, he can use the current bring-forward provisions to make a non-concessional contribution over his annual contribution cap of $180,000, before 30 June 2017.

As he is under age pension age, his new super balance of $500,000 is not counted in determining Mary's pension entitlement. Mary's super balance is reduced to $300,000, which means that their assessable assets are reduced to $450,000.

Assuming they are not affected by the income test, Mary would now be entitled to the full age pension.

For illustrative purposes only. Not to be taken as personal financial advice.

People who are still saving for retirement could take advantage of the fact that, after 1 July, it may be possible to receive the maximum $540 tax offset from making a non-concessional contribution of at least $3,000 to the super fund of a spouse who earns up to $37,000. The full offset was previously only available for a spouse with an annual income of $10,800 or less.

Also in the new financial year, all eligible Australians under 75 who make personal contributions to superannuation will be able to claim an income tax deduction on their contributions, even those who are self-employed and in part-time work. Ideally, those who stand to benefit from the new allowances could start considering how to take advantage of the new changes and evaluate their retirement plan overall.

"In all circumstances you should seek the advice of a trusted and qualified professional. It is important to understand the risks involved with superannuation decisions and your tax obligations. Advice from a qualified professional can help you navigate these responsibilities," recommends Ellis.

"While it is important to know how the new changes may affect you, this is also an opportune time to re-evaluate all of your retirement funding plans. Superannuation is only one source of income in retirement and people often have just as much wealth outside of their super as they do inside. These assets also need to be carefully managed to ensure the best outcome for your retirement years," concludes Ellis.

2017 SUPER ACTION PLAN Examples of strategies that can improve retirement savings	
Retirees (including TTR)	
Before 30 June 2017	**1) Rollover the excess pension balance back to superannuation or make lump sum withdrawals** If your pension account is over $1.6 million, rollover the excess amount and invest it in either a super accumulation account or outside super to avoid penalty tax.
	2) Equalise the account based pension balance between husband and wife If one spouse has a pension balance greater than $1.6 million and the other has less than $1.6 million in pension, you could withdraw the excess amount from the larger account and contribute it to the account with lower balance to maximise the total amount invested in a tax free environment.

	3) Restructure assets within a family to maximise eligibility for the age pension Consider putting excess funds into the younger spouse's (if they are under pension age) superannuation account or withdraw the excess funds to invest or spend elsewhere. For example consider spending a portion of your excess funds on renovating your home now rather than in retirement, or arranging a pre-paid funeral. Gifting assets to others is also an option but there are limits on the amounts you can transfer without jeopardising social security benefits.
Pre-retirees	
Before 30 June 2017	**1) Maximise concessional contributions** If you're under 50 the limit is currently $30,000, and it is $35,000 if you're aged 50 and over. From 1 July, the cap reduces to $25,000 for everyone.
	2) Maximise non-concessional contributions and take advantage of the rule the "bring forward" rule that allows contributions to be averaged over three years The cap is $180,000 per annum or up to $540,000 under the 'bring forward' rule before 30 June, but only $100,000 per annum or up to $300,000 under the 'bring forward' rule after 1 July. (Transitional measures may apply if you have not fully used your 'bring forward' amount before 30 June 2017.) Furthermore, from 1 July 2017, you will not be able to make any non-concessional contributions if your total superannuation balance is over $1.6 Million.
After 1 July 2017	**1) Make spouse contributions** If you have a spouse earning $37,000 or less, making a super contribution on his or her behalf can generate a tax offset of up to $540.
	2) Split your superannuation contribution with your spouse Remember you can still split up to 85% of your pre-tax super contribution with your spouse.
	3) Make concessional contributions even if you're self-employed or your main employer does not offer salary sacrifice If you're under 75 and still working you will now be able to claim a tax deduction on all personal contributions to superannuation, even if you're self-employed and in part-time work.
	4) Continue to take advantage of government co-contribution You may be eligible for a co-contribution up to $500 if your total eligible income is less than $51,021 in the financial year and you make a personal after tax contribution to your super account.
	5) Next year, take advantage of the concessional contribution cap catch-up strategies (from 1 July 2018) – This is a great opportunity to negate ad-hoc capital gain and other irregular income. If your total superannuation balance is below $500,000 at the end of a financial year, you'll be able to utitlise the unused portion of your caps for the previous five years in subsequent years. You'll need to maintain records to do this.

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