Making downsizer contributions

If you are over the age of 65, you can make non-concessional (after-tax) contributions of up to $300,000 from the proceeds of selling your home. You can make 'downsizer' contributions even if you're otherwise unable to contribute because of your age, work status or the amount you have in super.

What you'll find in this fact sheet:

> You could benefit from making downsizer contributions

1 How downsizer contributions work

If you are over the age of 65 and exchange contracts for the sale of your primary residence on or after 1 July 2018, you may be able to make after-tax contributions of up to $300,000 from the proceeds of selling your home. If you have a partner, you can both take advantage of this measure, which means combined, you could contribute up to $600,000 to super.

Certain super rules and caps are waived for downsizer contributions. Usually, if you are aged between 65 and 75 you need to meet the work test requirements to make an after-tax contribution. That is, you must work 40 hours during a consecutive 30-day period in the year you make the contribution – and once you turn age 75 you cannot make after-tax contributions, regardless of whether you work. However, these rules do not apply to downsizer contributions.

Downsizer contributions don't count towards your annual $100,000 non-concessional contributions cap.

You can make a downsizer contribution even if your total superannuation balance will be more than $1.6 million. (Your total superannuation balance is the total value of all your superannuation and income stream accounts at the start of the financial year. If it's more than $1.6 million, then your non-concessional cap for that year is nil.) However, keep in mind that any downsizer contributions you make will count towards your total superannuation balance for future years.

Also, even though it is known as a downsizer contribution, you don't have to buy a smaller house or another property.

2 Am I eligible?

To make a downsizer contribution:

- You must be 65 years or older at the time you make the downsizer contribution.
- Your contributions must come from the proceeds of the sale of your home, where the contract was exchanged on or after 1 July 2018.
- You must not have previously made a downsizer contribution to your super from the sale of another home.
- You or your partner must own your home for 10 years or more prior to the sale.
- Your home must be in Australia and cannot be a caravan, houseboat or other mobile home.
- The capital gain or loss from the sale of your home must be either exempt or partially exempt from capital gains tax (CGT) under the main residence exemption.
- You must make your downsizer contribution within 90 days of receiving the proceeds of sale, which is usually the date of settlement.

3 What to consider

Making a downsizer contribution will increase your savings for retirement. However, there are a number of things to consider, when deciding if it's right for you.

- **It could affect your eligibility for the age pension**

  Downsizer contributions are added to your super balance, which means they are included in the assets and income tests used to determine eligibility for the age pension and Department of Veteran Affairs benefits. The family home is not counted in these tests, so making downsizer contributions could mean you miss out on the age pension. Please note that your super balance (including downsizer contributions) is also used to determine eligibility for residential aged care and home care services.

- **The transfer balance cap still applies**

  You have a limit of $1.6 million on the amount of savings you can move from super into an income stream. If your total superannuation balance is more than $1.6 million, then any downsizer contribution you make must stay in your super account. Earnings in super are taxed at 15%, whereas they are not taxed in a retirement income stream.

- **You have 90 days to make your contribution**

  The downsizer contribution must be made within 90 days of receiving the proceeds of the sale, which is usually settlement day.

  You may be able to apply to the Australian Taxation Office (ATO) for an extension of the contribution period if, for example, a delay has been caused by factors outside your control.

How it can work

Mai and Steve are a couple. They sell their home for $850,000. Mai and Steve can both make a contribution of up to $300,000.

If Mai and Steve sell their home for $400,000, they can both make contributions that do not exceed $300,000 each. This means they can choose to contribute $300,000 and $100,000, or split the contribution so each contributes $200,000.

4 Who could benefit from making downsizer contributions?

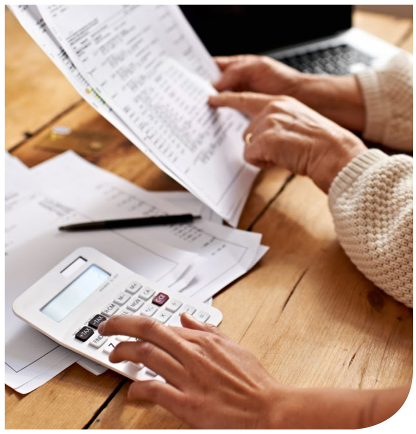
You could benefit from making downsizer contributions if:

- You're an older member who wants to boost your income in retirement by unlocking capital in your family home.
- You're a self-funded retiree who'd like to put more into super and has a level of income and assets that means you're not eligible for the age pension or other government benefit.
- You're an older member with a total superannuation balance over $1.6 million and want to take advantage of the 15% tax on earnings offered by super. This can help you put more into your super and pay less tax than you would outside super.

5 How do I make the contribution?

If you decide to make a downsizer contribution, you will need to complete the ATO form available on our website **firststatesuper.com.au/forms** and provide this to us either before, or at the time of making your contribution. By submitting the form, you are confirming that you have met all the eligibility criteria, as outlined above. Remember, all downsizer contributions must be made within 90 days of receiving your sale proceeds.

You may make multiple downsizer contributions from the proceeds of a single sale. However, the total of all your contributions must not exceed $300,000 or the total proceeds of the sale if it is less than $300,000, less any other downsizer contributions that have been made by your spouse.



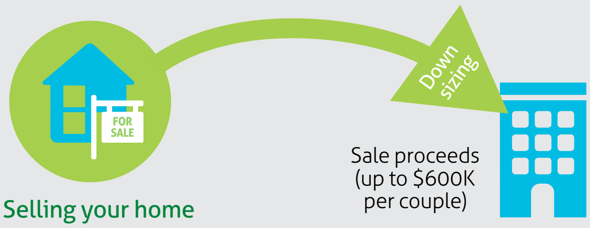
If the ATO advises us that your contribution does not meet the downsizer eligibility requirements, we will assess whether your contribution can be accepted as a regular after-tax contribution. If so, it will count towards the after-tax contribution cap. If your contribution can't be accepted, we will return the contributed amount to you.

How much difference can it make?

Extra income each year for 20 years

Contribution	Extra income[1]
$100,000	$8,200
$300,000	$24,700
$600,000	$49,500

Super contributions for downsizers



[1] Based on earnings of 5.51% and tax-free income payments over 20 years.

Like to talk to someone?

We recommend you seek financial advice before deciding whether to make a downsizer contribution. We have advisers who can show you how it will affect your personal circum-stances.

To find out how we can help, contact us or make an appointment at **firststatesuper.com.au/advice.**

> If you meet the eligibility criteria, you can make 'downsizer' contributions even if you're otherwise unable to contribute because of your age, work status or the amount you have in super.

We're here to help!

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Super can be quite complicated and sometimes you just want to know that you're making the right decisions. Because the right decisions about your super can make a real difference to your financial future.

So if you've got any questions, or you just want the comfort of knowing you're on the right track, getting some advice can help.

StatePlus[1] is our financial planning business and is wholly owned by us. The team at StatePlus can answer simple questions about your super over the phone, or if your situation is more complex, prepare a full financial plan for you. It's all up to you, no obligation. Book online at **firststatesuper.com.au/advice** or call **1800 620 305** (Monday to Friday 8.15am to 8.15pm AEST/AEDT) to arrange an appointment.

[1] Financial planning services are provided by our financial planning business, State Super Financial Services Australia Limited, trading as StatePlus ABN 86 003 742 756 AFSL No. 238430. StatePlus is wholly owned by First State Super.

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