



DOWNSIZER CONTRIBUTION

The downsizer superannuation contribution allows individuals aged 65 years or over to use the proceeds from the sale of their main residence to contribute to superannuation of up to \$300,000. This reform was part of the 2017-18 Federal Budget and was legislated on 13 December 2017.

This measure applies from 1 July 2018.

How does it work?

There are 4 main components to be eligible to make this type of contribution:

PERSON

- You must be is 65 years or older
- The usual restrictions on contributions such as the work test and having less than \$1.6 million in total super balance are disregarded
- The contribution does not count towards any of the superannuation contribution caps
- Must not claim a deduction for the contribution

HOME

- Contracts must be exchanged after 1 July 2018 – settlement date is irrelevant
- The home must in Australia and be affixed to land i.e. not a caravan or a houseboat
- You must have owned the property for at least 10 year -
 - this is based on the original purchase settlement date to the time that legal ownership passes to the new owner (settlement date)
 - held at all times during that period by you, your spouse or former spouse
- There is no need for the non-owner spouse to have been in a relationship for 10 years or more
- The home must be eligible for full or part main residence CGT concession. The property being sold does not have to be the current home; it could be a former home that is now an investment property.

CONTRIBUTION CAP

The maximum contribution per person under this measure is the lesser of:

- \$300,000 or
- The proceeds received from the sale of the property

For example, if a couple sold their home for \$1million, they can contribute up to \$300,000 each. However if they sold it for say \$400,000, they could only contribute say \$200,000 each or a combination up to \$400,000.

MAKING THE PAYMENT

- Contribution must be made to a complying superfund within 90 days after sales proceeds are received
- Complete and submit to the superannuation fund, the tax office approved form (available from 1 July 2018)

The downsizer contribution could assist older Australian upsize their superannuation savings.

Although this measure is called a downsizer contribution, for the person selling, they are not restricted to buying a smaller dwelling. There is no requirement to purchase another property and it is possible to purchase a larger or more expensive replacement property.

However, it is important to seek professional financial advice, in particular those in receipt of Centrelink benefits, before making the decision to make a downsizer contribution.



How can we help?

To find out more about the Downsizer Contribution, do not hesitate to contact Economos on (02) 9266 2200 or info@economos.com.au.