Downsizing contributions into superannuation

The “Contributing the proceeds of downsizing into superannuation” measure was one of several announced in the 2017–18 Budget as part of the government's package of reforms to reduce pressure on housing affordability in Australia.

About the downsizer measure

From 1 July 2018, if you are 65 years old or older and meet the eligibility requirements, you may be able to choose to make a downsizer contribution into your superannuation of up to $300,000 from the proceeds of selling your home.

Benefits

- Boost your superannuation savings.
- If the amount remains in the accumulation phase of superannuation, earnings that accrue on this amount are taxed at up to 15% rather than your marginal tax rate which could be higher.
- If the amount is used to commence a superannuation income stream, earnings that accrue on this amount are taxed at 0% rather than your marginal tax rate which could be higher. Income payments received are also tax-free as you are over 60.
- You are able to make a superannuation contribution without the need to satisfy normal eligibility criteria (including the work and total super balance tests).
- The contribution is not assessed against your contribution caps.
- Lump sum withdrawals can be made which are received tax-free.

Am I eligible?

- You must be 65 years or older (there is no maximum age limit) 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.
- you have provided your super fund with the Downsizer contribution into super form either before or at the time of making your downsizer contribution

Note: If your home that was sold was only owned by one spouse, the spouse that did not have an ownership interest may also make a downsizer contribution, or have one made on their behalf, provided they meet all of the other requirements.

How downsizer contributions work

Assuming you are eligible; 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.

- Downsizer contributions don't count towards your annual non-concessional contributions cap. This cap is $100,000 for the 2018-2019 financial year.
- 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.)
- Your downsizer contribution will not affect your total super balance until your total super balance is re-calculated to include all your contributions, including your downsizer contributions, on 30 June at the end of the financial year.
- Also, even though it is known as a downsizer contribution, you don't have to buy a smaller house or another property.
- You can only make downsizing contributions for the sale of one home. You can't access it again for the sale of a second home.
- Downsizer contributions are not tax deductible and will be taken into account for determining eligibility for the age pension.
- If you sell your home, are eligible and choose to make a downsizer contribution, there is no requirement for you to purchase another home.

Some things 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.

General Advice Warning

The information contained in this document is general in nature and does not constitute personal financial advice. The information has been prepared without taking into account your personal objectives, financial situation or needs. Before acting on any information in this document you should consider the appropriateness of the information and seek professional advice from a licensed financial adviser.