# Strategies To Split Or Share Your Super Balance With Your Spouse

*Wednesday 24th April 2024*

**Welcome**

SUPERGUIDE | WEBINAR

# Presenter

## Garth McNally, GM Super Consulting

Garth has worked in the Australian Superannuation industry for over 25 years with a specific focus on self-managed super funds. He provides ongoing support and training to individuals as well as to professionals working in the superannuation area, including advisers, accountants and lawyers.

Garth is a regular contributor to industry publications and to the leading professional bodies including Chartered Accountants Australia & New Zealand (CA ANZ) & CPA Australia (CPA).

SUPERGUIDE | WEBINAR

GM Super Consulting

# IMPORTANT

## Disclaimer

The information covered within this webinar is intended to be general in nature and is not personal financial (or financial product) advice. It does not take into account your objectives, financial situation or needs. Before acting on any information, you should consider the appropriateness of the information provided having regard to your objectives, financial situation and needs.

In particular, you should seek independent financial advice prior to making any investment decision.

You should consider the appropriateness of this information having regard to your individual situation and seek taxation advice from a registered tax agent before making any decision based on the content of this presentation.

Any examples & calculations within this presentation are provided for illustrative purposes only. They should not be relied on.

Attendance at this webinar and/or viewing the content provided, is considered as acknowledgement, acceptance and agreement to this Disclaimer and the contents contained within.

# Todays Webinar

Why is this important?

Strategies to consider

Benefits that can be achieved

The required processes

SUPERGUIDE | WEBINAR

# Issue



## Age discrepancy and access to super

You are not allowed to access your super until you meet an eligible condition of release, which in most cases is based on your age; Usually aged 65 or above

# Accessing Super Balances Sooner

SUPERGUIDE | WEBINAR

## Age discrepancy and access to super

You are not allowed to access your super until you meet an eligible condition of release, which in most cases is based on your age; Usually aged 65 or above

**Amanda:**
**Age 64**

**Paul:**
**Age 59**

Amanda is currently age 64 and still working. She should be able to access all her Super when she turns 65 **in less than 1 year.**

Paul is currently age 59 and still working. He needs to wait until at age 65 to access his super. That is **around 6 years away**.

# Accessing Super Balances Sooner

SUPERGUIDE | WEBINAR

## Age discrepancy and access to super

You are not allowed to access your super until you meet an eligible condition of release, which in most cases is based on your age; Usually aged 65 or above

**Amanda:**
**Age 64**

**Paul:**
**Age 59**

Amanda is currently age 64 and still working. She should be able to access all her Super when she turns 65 **in less than 1 year.**

Paul is currently age 59 and still working. He needs to wait until at age 65 to access his super. That is **around 6 years away**.

It may prove beneficial if some of Paul's superannuation balance could somehow be reallocated to Amanda's account. This could then allow larger amounts to be accessed sooner (if needed).

# Issue



## Age discrepancy and Age Pension

Superannuation balances held in the accumulation account of a spouse who is under the pension age are not included in the Age Pension assessment tests.

# Age Pension Benefits

## Age discrepancy and Age Pension

Superannuation balances held in the accumulation account of a spouse who is under the pension age are not included in the Age Pension assessment tests.

**Peter:**
**Age 67 (soon)**

**Dianne:**
**Age 59**

Peter will **soon be eligible** to apply for the Age Pension. He currently has $650,000 in Super.

Dianne is 8 years younger & will **not be eligible** to apply for the Age Pension for a number of years.

SUPERGUIDE | WEBINAR

# Age Pension Benefits



## Age discrepancy and Age Pension

Superannuation balances held in the accumulation account of a spouse who is under the pension age are not included in the Age Pension assessment tests.

**Peter:**
**Age 67 (soon)**

**Dianne:**
**Age 59**

Peter will **soon be eligible** to apply for the Age Pension. He currently has $650,000 in Super.

Dianne is 8 years younger & will **not be eligible** to apply for the Age Pension for a number of years.

It may prove beneficial if some of Peter's superannuation balance could somehow be reallocated to Dianne's account. With a lower amount being assessed under Peter's means tests, he may receive a higher rate of Age pension or qualify for a pension that would not otherwise be payable.

# Issue

SUPERGUIDE | WEBINAR

**Transfer Balance Cap ($1.9M)**

Limits how much of your super balance that can be used to start a pension; moved into **Tax Free** pension phase

# Transfer Balance Cap

## Transfer Balance Cap ($1.9M)

Limits how much of your super balance that can be used to start a pension; moved into **Tax Free** pension phase

**Amanda's Balance $2,400,000**

**Paul's Balance $1,400,000**

$500,000 **ABOVE** the current transfer balance cap.
The excess **CANNOT** be moved into the tax-free pension phase; it must remain in accumulation phase where earnings are taxed at 15%.

$500,000 **BELOW** the current transfer balance cap.

$500,000 @ 7% = $35,000 p.a.
$35,000 x 15% tax rate = $5,250 p.a.

# Transfer Balance Cap

## Transfer Balance Cap ($1.9M)

Limits how much of your super balance that can be used to start a pension; moved into **Tax Free** pension phase

**Amanda's Balance**
~~$2,400,000~~
**$1,900,000**

**Paul's Balance**
~~$1,400,000~~
**$1,900,000**

It may prove beneficial if some of Amanda's superannuation balance could somehow be reallocated to Paul's account. This could mean that Paul can fully utilise his Transfer Balance Account (the amounts held in the tax-free pension phase) & Amanda can reduce her accumulation account balance where earnings are taxable.

# Issue

SUPERGUIDE | WEBINAR

## Div 296 Tax on earnings

If your total super balance exceeds $3M, an additional 15% tax is levied on earnings relevant to balances above $3M.

# Div 296 Tax on Earnings



## Div 296 Tax on earnings

If your total super balance exceeds $3M, an additional 15% tax is levied on earnings relevant to balances above $3M.

**Gavan's Balance $3,300,000**

**Gabe's Balance $800,000**

Earnings relevant to Gavan's balance **ABOVE** the $3M limit are subject to an additional 15% tax.

Gabe's balance is **BELOW** the $3M level.

# Div 296 Tax on Earnings

SUPERGUIDE | WEBINAR

## Div 296 Tax on earnings

If your total super balance exceeds $3M, an additional 15% tax is levied on earnings relevant to balances above $3M.

**Gavan's Balance $3,300,000**

**Gabe's Balance $800,000**

Earnings relevant to Gavan's balance **ABOVE** the $3M limit are subject to an additional 15% tax.

Gabe's balance is **BELOW** the $3M level.

It may prove beneficial if some of Gavan's superannuation balance could somehow be reallocated to Gabe's account. Then neither would be above the $3M limit.

# Issue

SUPERGUIDE | WEBINAR

## Carry Forward Concessional Contributions

If your Total Super Balance is below $500,000 on 30th June last financial year, you can access any UNUSED concessional contributions from the last 5 years and make a LARGER concessional (tax deductible) contribution.

# Carry Forward Unused Concessional Cap

## Carry Forward Concessional Contributions

If your Total Super Balance is below $500,000 on 30th June last financial year, you can access any UNUSED concessional contributions from the last 5 years and make a LARGER concessional (tax deductible) contribution.

**Phil's Balance $495,000**

**Pat's Balance $815,000**

Phil's balance is near the $500K limit. Soon he won't be eligible to make a larger concessional contribution using his unused cap amounts.

Pat's balance is already well above the $500K limit.

SUPERGUIDE | WEBINAR

# Carry Forward Unused Concessional Cap

## Carry Forward Concessional Contributions

If your Total Super Balance is below $500,000 on 30th June last financial year, you can access any UNUSED concessional contributions from the last 5 years and make a LARGER concessional (tax deductible) contribution.

**Phil's Balance $495,000**

**Pat's Balance $815,000**

Phil's balance is near the $500K limit. Soon he won't be eligible to make a larger concessional contribution using his unused cap amounts.

Pat's balance is already well above the $500K limit.

It may prove beneficial if some of Phil's superannuation balance could somehow be reallocated to Pat's account. This could then allow Phil to utilise his unused concessional contributions.

SUPERGUIDE | WEBINAR

# Process & How-to

# IMPORTANT

You can't just transfer amounts that are held in your superannuation account to your spouse's account. This is not allowed! However, you can use:

**Spouse contribution splitting**

**A recontribution strategy**

# Contribution Splitting

**Who is eligible to use contribution splitting?**

If you want to split your prior year concessional contributions with your spouse, the **receiving spouse** must be either under their preservation age, ***or*** aged between their preservation age and 65, and not retired. You can't apply to split your contributions if your spouse is **aged 65 or over**.

Under the rules for contribution splitting, a spouse is a person of any gender you:

- Are legally married to
- Are in a registered relationship with under certain state or territory laws
- Live with on a genuine domestic basis in a relationship as a couple (a de facto spouse).

In addition, you must both be Australian residents when the contribution is made and must not be living separately on a permanent basis.

## What super contributions can be split?

You can ask your super fund to transfer up to **85% of your taxed splittable contributions** from a particular financial year into your spouse's super account.

**Taxed splittable contributions** are generally any employer contributions (including salary-sacrifice contributions) and any personal super contributions you have claimed as a tax deduction in your income tax return.

Members of public sector super funds are also permitted to split their **untaxed splittable** employer contributions with their spouse, but not all these funds permit contribution splitting, so check with your fund before applying.

# Contribution Splitting

### Who is eligible to use contribution splitting?

If you want to split your prior year concessional contributions with your spouse, the **receiving spouse** must be either under their preservation age, ***or*** aged between their preservation age and 65, and not retired. You can't apply to split your contributions if your spouse is **aged 65 or over**.

Under the rules for contribution splitting, a spouse is a person of any gender you:

- Are legally married to
- Are in a registered relationship with under certain state or territory laws
- Live with on a genuine domestic basis in a relationship as a couple (a de facto spouse).

In addition, you must both be Australian residents when the contribution is made and must not be living separately on a permanent basis.

### What super contributions can be split?

You can ask your super fund to transfer up to **85% of your taxed splittable contributions** from a particular financial year into your spouse's super account.

**Taxed splittable contributions** are generally any employer contributions (including salary-sacrifice contributions) and any personal super contributions you have claimed as a tax deduction in your income tax return.

Members of public sector super funds are also permitted to split their **untaxed splittable** employer contributions with their spouse, but not all these funds permit contribution splitting, so check with your fund before applying.

# Contribution Splitting

## When can I apply to split my contributions?

Applications to split your super contributions with your spouse can be made **immediately after** the financial year in which the contributions were made. For example, if you want to apply to split some of your super contributions from 2023–24, you may apply any time after 1 July 2024.

Alternatively, you can apply to split contributions in the same financial year they were made if your entire super benefit is being withdrawn before the end of that year as a rollover, transfer, lump sum benefit or a combination of these.

You cannot apply to split your contributions if:

- The amount you ask to split is more than the maximum allowed
- Your spouse is aged 65 or over
- Your spouse has reached their preservation age and is retired.

# Contribution Splitting

**4 things to check before applying to split your super contribution**

1. Check whether your super fund offers contribution splitting, as not all funds do.
2. Check which application form you need to complete for contribution splitting. Some funds use the ATO's Superannuation contributions splitting application form, while others have their own application form.
3. Confirm whether your super fund charges a fee for splitting a super contribution to recover the costs involved for the fund.
4. Ensure you lodge the ATO's Notice of intent to claim or vary a deduction for personal super contributions form **before you apply to split** your contribution if you intend to claim a tax deduction for a personal super contribution

# Recontribution Strategy

Once you have met certain conditions of release and gain full access to your super, you could consider making withdrawals **FROM YOUR SUPER ACCOUNT** and then recontribute these amounts **INTO YOUR SPOUSES SUPER ACCOUNT**.

This could allow you to move balances from the higher balance spouses account to the lower balance spouses account.

Full access to super is granted when you:

- are retired and have reached your preservation age,
- reach age 65,
- leave a job after age 60, or
- become permanently incapacitated.

Withdrawals are tax free after age 60, unless your super is with a rare untaxed super fund.
Amounts withdrawn may be recontributed to the account of the spouse with a lower balance, subject to the usual contribution limits.

# Recontribution Strategy

**Considerations before using a recontribution strategy**

- Your taxable income (and tax bill) could increase in the financial year when you make the withdrawal from your super (i.e. if under 60). It could also reduce any tax offsets or family assistance you receive during that financial year.

- If you are eligible to access your super before age 60, you may need to pay some tax on the lump sum you withdraw from your super.

- Any recontributions you make into your – or your spouse's – super account are subject to the normal contribution rules and caps.

- If you are turning age 75, the recontributed amount must be received by your super fund no later than 28 days after the end of the month in which you turn 75.

# Recontribution Strategy

**Considerations before using a recontribution strategy**

- You need to check your total super balance (TSB) before using a recontribution strategy. Your TSB must be under $1.9 million (in 2023–24) on 30 June of the **previous** financial year to be eligible to make any non-concessional contributions in the following financial year. If you are unable to make non-concessional contributions, the strategy will not be available to you.

- You may have to pay transaction costs – such as a buy/sell spread or capital gains tax (CGT) – on any investments your super fund must sell to pay for your withdrawal and recontribution.

- If you or your spouse exceed the **personal** annual non-concessional (after-tax) contribution cap when making a recontribution you may have to pay additional tax.

- If you have previously triggered a bring-forward arrangement or have made large non-concessional contributions in the current financial year, you may not be able to recontribute the money back into your super without exceeding your personal non-concessional contributions cap.

# Specific Questions

SUPERGUIDE | WEBINAR

# IMPORTANT

The following are GENERAL COMMENTS and not specific advice. Please seek advice that considers your personal circumstances prior to taking any action.

# Reader Questions

Do you have to physically withdraw monies and deposit back as a non-concessional contribution?

Judith W

In our SMSF, I want to tfr $200k to my wife's accumulation account before we convert both of our accumulation accounts into pension acts. Can I do this via a simple notification to the trustee, or, do I have to sell $200k in shares and bonds to convert to cash, to then tfr out of the SMSF bank acct to my personal acct and then tfr back into the SMSF bank acct noting that the tfr back is to be allocated to my wife's acct etc

Gary O

When using a spouse re-contribution strategy, there needs to be real transactions occurring. You MUST actually withdraw benefits from YOUR account and then make a contribution back into YOUR SPOUSES account. Journal entries are not sufficient.

# Reader Questions

I would like to understand how the splitting of your SMSF works. My husband is two years older than me, when he reaches 60, can he withdraw funds and can I then deposit them under my name? What benefit does that provide? Thank you.

Nikki K

My husband is 10yrs older than me at 56. He has less super than I do. He has around $180k.
We have a mortgage, so I'm wondering if when he hits 60, we then take out his super to pay off the house or do some decent renovations.
I'm planning to keep working till 67. I earn $150k/

Anna P

Turning age 60 does not automatically allow full access to super balances. You MUST first meet a condition of release that allow unrestricted access to benefits:

- Retired and have reached your preservation age,
- Reach age 65,
- Leave a job after age 60, or
- Become permanently incapacitated.

# Reader Questions

For a member doing super catch-up (unused concessional) what is the maximum split to the spouse in FY2024,

Peter B

The maximum amount of taxed splittable contributions you can apply to split is the lesser of:

- 85% of the concessional contributions for that financial year; and
- The concessional contributions cap for that financial year.

Your concessional contributions cap will equal the general concessional cap **PLUS** the previously unused concessional contributions cap amount, up to the amount of the excess.

Your concessional contributions cap will be used to determine the maximum amount of taxed splittable contributions.

SUPERGUIDE | WEBINAR

# Reader Questions

You can only split Taxed splittable contributions:

- Employer contributions (including salary-sacrifice contributions)
- Personal super contributions you have claimed as a tax deduction in your income tax return.

You can only split these types of contributions in the year after they were made – not further back!

Can splitting only be done with amounts that were previously received into your fund as Concessional Contributions? In terms of such contributions previously received into your own Super account, if switching funds to your Spouse, how far back (how many financial years) can you go?? Thank you

Peter W

# Reader Questions

My husband is 10yrs older than me at 56. He has less super than I do. He has around $180k.

We have a mortgage, so I'm wondering if when he hits 60, we then take out his super to pay off the house or do some decent renovations.

I'm planning to keep working till 67. I earn $150k.

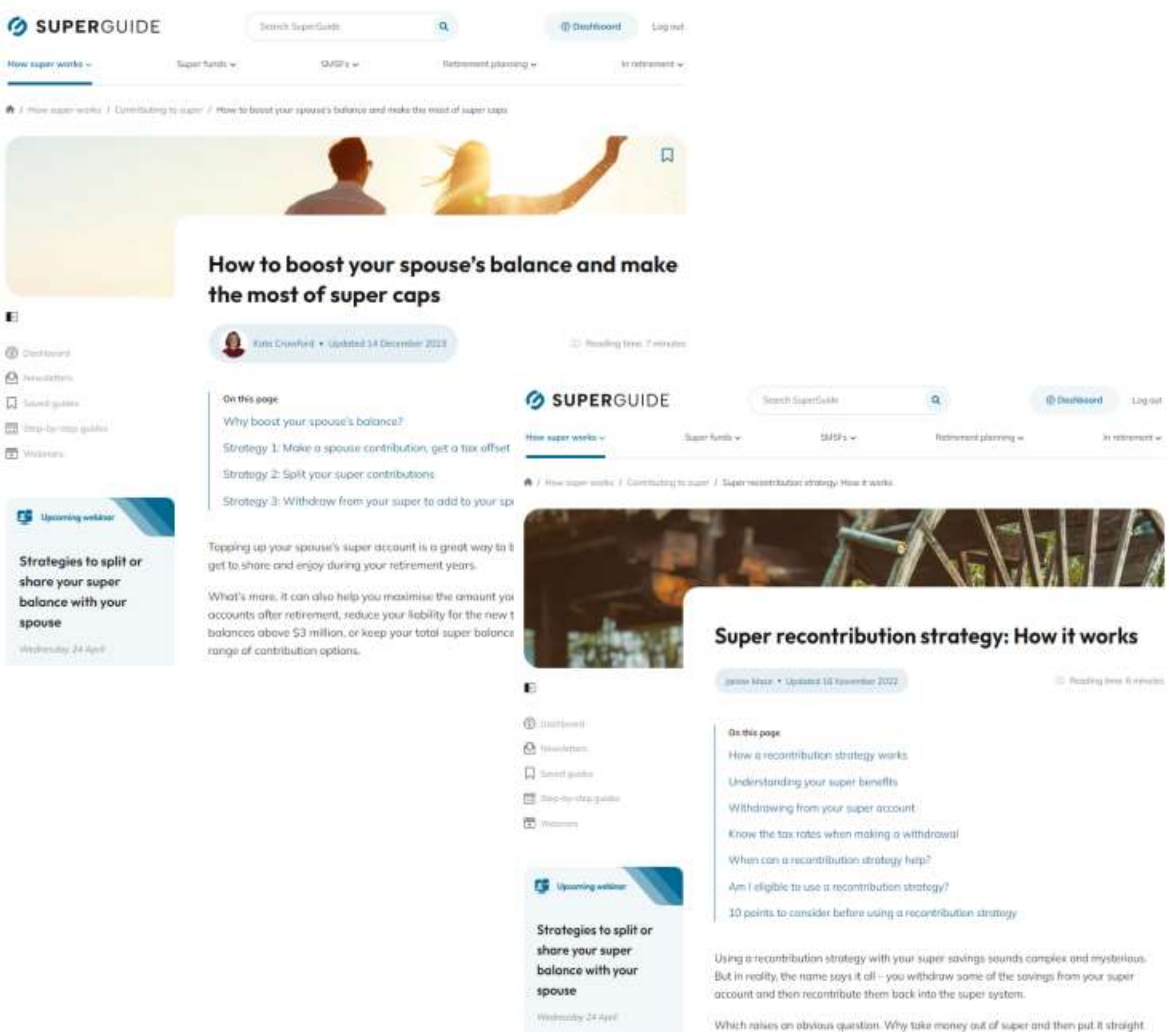
Anna P

Turning age 60 does not automatically allow access to super.

To access super, you MUST first meet a condition of release that allow unrestricted access to benefits:

- Retired and have reached preservation age,
- Reach age 65,
- Leave a job after age 60, or
- Become permanently incapacitated.

# Resources


SUPERGUIDE
How to boost your spouse's balance and make the most of super caps
On this page
Why boost your spouse's balance?
Strategy 1: Make a spouse contribution, get a tax offset
Strategy 2: Split your super contributions
Upcoming webinar
Strategies to split or share your super balance with your spouse
SUPERGUIDE
Super recontribution strategy: How it works
On this page
How a recontribution strategy works
Understanding your super benefits
Withdrawing from your super account
Know the tax rates when making a withdrawal
When can a recontribution strategy help?
Am I eligible to use a recontribution strategy?
10 points to consider before using a recontribution strategy
Upcoming webinar
Strategies to split or share your super balance with your spouse

SUPERGUIDE

# Wrap up