CASH OUT AND RE-INVEST IN SUPER

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Benefits

• Your tax-free portion will grow and can be withdrawn without any tax implications (subject to preservation rules). • If paid out as a lump sum death benefit to your dependents, even adult children, the tax-free component remains tax-free, potentially increasing the amount your family or estate receives.

How it Operates

To employ this strategy, you must be eligible to withdraw from your superannuation, meeting either a condition of release or having unrestricted non-preserved funds in your account. You must also meet the criteria for contributing to superannuation.

If your superannuation includes both taxable and tax-free components, the withdrawal must be distributed proportionally between both components. For instance, if your tax-free portion accounts for 20% of your balance before withdrawal, 20% of the withdrawal must be tax-free, and 80% taxable.

If you are over age 60 there is no tax payable on either component unless you are in an unfunded superannuation scheme. If tax is payable, your superannuation fund may withhold lump sum tax from the withdrawal at the following rates:

Your Age	Tax Component		Maximum Tax Rate
Between preservation age and age 60	Tax-free component		0%
	Taxable component	Up to low rate cap	0%
		Above low rate cap	17%^
60 or over	All components		0%

^Includes Medicare Levy.

If you are below 60 years old (but at least at your preservation age), this strategy is generally most effective if the taxable component withdrawn does not surpass the low rate cap, as this avoids lump sum tax liability. After turning 60, you can withdraw any amount tax-free. Subsequently, you must re-contribute the withdrawn sum into your superannuation account as a non-concessional contribution.

It is crucial to ensure that this amount does not exceed your non-concessional contribution limit.

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Key Considerations

• If you are under 60, any taxable portion withdrawn counts as assessable income and could affect your eligibility for certain tax offsets and concessions. It might also impact child support obligations.
• If you intend to claim a tax deduction for personal contributions, you must submit a notice of deductibility form to your superannuation fund (and await confirmation of receipt) before requesting a withdrawal.
• The re-contributed funds into your superannuation account will remain preserved unless you continue to meet a condition of release.
• Exceeding the non-concessional contribution limit results in tax penalties. • Contribution fees may apply. You should review the fee details in your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund
• Superannuation legislation may change in the future due to government updates.

References

You may wish to refer to the following websites for further information about cash out and re-contributing to superannuation:

- www.moneysmart.gov.au
- www.ato.gov.au

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