DOWNSIZER CONTRIBUTIONS INTO SUPERANNUATION

The Downsizer Contribution program is accessible to Australians aged 60 or older who are selling a home they've owned for at least a decade. You can contribute up to $300,000 per person into your superannuation account.

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Benefits

- The Downsizer Contribution offers the chance to add extra funds to your superannuation, regardless of your employment status or the total balance in your superannuation account.
- Contributions made through downsizing are invested within the superannuation system and can benefit from the lower tax rate applied to investment returns within this system. Earnings on a superannuation balance are taxed at concessional rates. If you subsequently begin a retirement pension, these earnings become tax-free (subject to Transfer Balance Cap limits).
- Assets held in the superannuation accumulation phase are exempted from social security assessments until you reach your Age Pension age. This can potentially increase or maintain your eligibility for a pension or other benefits. Combining a downsizer contribution with a Non-Concessional Contribution may enable you to channel more of your home sale proceeds into the tax-advantaged superannuation environment.
- Funds invested in superannuation can be accessed when specific release conditions are met.

How it works

The total downsizer contributions allowable are the lesser of:
$300,000 per individual, and
The total amount received by an individual or their spouse from selling the property.

For instance, if a qualifying property is sold for $200,000, then the maximum allowable downsizer contribution for an individual (or to be shared with their spouse) is $200,000.
On the other hand, if the property is sold for $700,000, the maximum downsizer contribution for an individual is $300,000. Even if the spouse has no ownership stake in the property, they can still make a $300,000 downsizer contribution.
To make a downsizer contribution, you will need to:

- Confirm eligibility for making such a contribution.
- Ensure that your superannuation fund can accept downsizer contributions.
- Complete the downsizer contribution form when making or planning to make the contribution.
- If you're eligible for multiple downsizer contributions or intend to contribute to different superannuation funds, you must submit a form for each contribution.

- Ensure you meet all eligibility criteria.
- The total downsizer contributions per individual must not exceed $300,000.
- Make sure that all downsizer contributions are deposited into your superannuation fund within 90 days of receiving the proceeds from the sale, typically the settlement date.

Things to consider

- The costs associated with selling a family home, such as high stamp duty and land taxes, can be substantial. If you are contemplating downsizing, it's essential to carefully assess these expenses.
- Your superannuation balance, including downsizer contributions, and any balances retained from the home sale are factored into the Centrelink Assets and Income Test, which can impact your eligibility and fees for the Age Pension, residential aged care, and home care services. The exemption for funds set aside for a new home purchase lasts no longer than 12 months for Centrelink/DVA.
- The Transfer Balance Cap limits the amount of superannuation savings that can be moved into tax-exempt retirement phase income streams. If you've reached this cap, any downsizer contributions will remain in the accumulation phase and be subject to taxation on earnings.
- Before accepting contributions through the downsizing program, superannuation funds must verify with the ATO that the contributions indeed stem from the sale of a family home owned for more than a decade.
- Downsizer contributions cannot be claimed as tax deductions.

References

You may wish to refer to the following websites for further information about downsizer contribution into super:

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

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