

Superannuation & Retirement

SUPERANNUATION DEATH BENEFITS

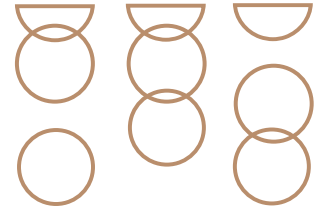
When it comes to managing your superannuation, it's essential to consider the allocation of benefits after your passing.



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Disclaimer: The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.

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When it comes to managing your superannuation, it's essential to consider the allocation of benefits after your passing. These benefits, whether they are still accumulating or provided as an income stream, can be treated as assets separate from your Will.

By nominating a beneficiary to receive your superannuation or income stream, you can expedite the distribution process and reduce the complexities associated with probate and trustee decisions.

Benefits

1. **Directed Allocation:** Nominating your superannuation beneficiary ensures that your intended recipient receives the funds, rather than relying on the discretion of your executor.
2. **Tax Efficiency:** Such nominations can also help structure the distribution to beneficiaries in a tax-effective manner.
3. **Conflict Avoidance:** Designating beneficiaries can help prevent family conflicts over asset distribution.

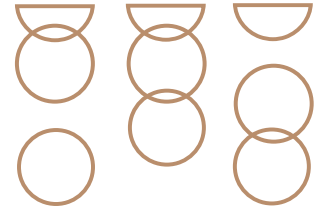
How it works

Upon your demise, the trustee of your superannuation fund holds the authority to determine the recipient of your account balance, including any life insurance proceeds. However, the benefit can only be paid to individuals meeting the definition of a 'superannuation dependent' or to your estate. A superannuation dependent can include your current spouse (legal or de facto), your children (including stepchildren and adopted children), someone financially dependent on you, or someone in an interdependency relationship with you.

Your superannuation fund may allow you to specify your preferences for the payment of your superannuation death benefit, but the restrictions on who can be a beneficiary will remain unchanged. The beneficiary will receive the benefit as a lump sum, which can be taken as cash or rolled over. If the beneficiary is also a 'tax-dependent,' they may be able to start or continue a superannuation pension or income stream. If paid to your estate, the benefit will be handled in accordance with the terms of your Will.

Beneficiary Nominations

There are various nomination options to ensure your superannuation bypasses your estate and reaches your chosen beneficiary:



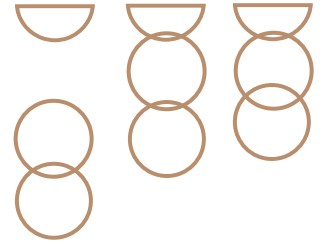
1. **Binding Nomination:** This nomination is legally binding on the trustee of your superannuation fund, provided it is valid at the time of your passing. It must be in writing, signed by you, and witnessed by someone over 18 who is not a beneficiary. Most binding nominations are valid for three years, so it's advisable to review them periodically. Note that a binding nomination only binds the trustee regarding the recipient, not the payment method (lump sum or pension).
2. **Non-Binding Nomination:** With a non-binding nomination, the trustee considers your preference but retains discretion to override it based on the circumstances and potential beneficiaries. This flexibility can protect beneficiaries in changing situations but may require additional time for decision-making.
3. **Non-Lapsing Binding Nomination:** Unlike regular binding nominations, non-lapsing binding nominations remain in force until amended or revoked by you, providing long-term security.
4. **Reversionary Nomination:** This type is available for superannuation pensions. It obliges the trustee to continue the pension payments to your nominated beneficiary after your death, with the possibility of converting it into a lump sum depending on the pension type.

Taxation of Death Benefits

- The tax on a superannuation death benefit depends on the beneficiary's tax-dependent status and whether the benefit is paid as a lump sum or pension. Tax rates are higher for untaxed (unfunded) schemes compared to taxed (funded) ones. Tax-dependent beneficiaries are eligible for more favourable tax treatment.
- If you have life insurance within your superannuation account, the claim proceeds become part of your superannuation death benefit and may incur higher tax rates if paid to a non-dependent.

Key Considerations

- The rules governing your superannuation fund determine the available nomination types, so consult with your fund to understand your options.
- Regularly review your nomination to ensure it aligns with your circumstances and remains valid.
- Be aware that beneficiaries selecting a pension payment must consider their individual Transfer Balance Cap.
- Specific rules apply to income streams associated with children and defined benefit schemes.



- Seek advice for proper management of superannuation death benefits, including cash lump sums, rollovers, and beneficiary-specific tax considerations.
- Disputes involving trustee discretion can take significant time to resolve, often requiring mediation or intervention by regulatory authorities.
- The effectiveness of a binding nomination is confirmed only after your death, so ensure it is correctly completed and consider alignment with your Will to minimise the risk of overruling by a court order.

References

You may wish to refer to the following websites for further information about superannuation death benefits:

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