ILLUSTRATIVE STRATEGY RECOMMENDATIONS SAMPLE

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My advice

Increase the tax-free component of your superannuation benefits

*By implementing a withdrawal and re-contribution strategy, you can convert approximately **$225,000** of taxable superannuation benefits into tax-free benefits, potentially reducing the tax payable by your adult children by approximately **$38,250**.*

Jane, I recommend you:

- **Consolidate your existing benefits.**
  Rollover the entire balance of your:
  - Existing super account: approximately **$65,000**.
  - Existing pension account: approximately **$215,000**.

  Transfer both balances to a new superannuation account, initially invested in its cash option.
- **Withdraw your consolidated balance.**
  Once both rollovers have been received, withdraw the entire available balance of approximately $280,000 from the new superannuation account.
- **Re-contribute the withdrawal to superannuation.**
  Re-contribute $280,000 as a personal non-concessional contribution using the bring-forward provisions. We have reviewed your ATO portal records and confirmed that you are currently eligible to make this contribution. Your position should be rechecked immediately before implementation, as recent contributions may not yet appear in your ATO portal records.
- **Prepare for the recommended pension.**
  Retain the resulting balance in superannuation pending its transfer to the recommended account-based pension.

Why it's appropriate & how it benefits you

- **Improved control over implementation.**
  Consolidating both accounts before completing the withdrawal and re-contribution allows the transactions to be coordinated across your combined superannuation benefits.
- **Coordinated transaction.**
  Completing the strategy through one superannuation account simplifies implementation and helps maximise the amount converted from taxable component to tax-free component.
- **Your current tax components.**
  After allowing for estimated existing-product transaction costs, approximately **$280,000** is expected to be available for withdrawal and re-contribution, comprising:
  - Tax-free component: **$55,000 (19.6%)**.
  - Taxable component – taxed element: **$225,000 (80.4%)**

- **Conversion to tax-free component.**
  The amount successfully re-contributed as a non-concessional contribution will form part of the tax-free component of your superannuation benefits. Based on the current estimates:
  - Approximately **$225,000** is converted from taxable component to tax-free component.
  - Your tax-free component increases from approximately **$55,000 (19.6%)** to **$280,000 (100%)**.
  - The re-contributed amount is expected to comprise entirely tax-free component.
- **Reduced potential death-benefits tax.**
  The estimated effect on the tax treatment of your superannuation death benefit is:

Death-benefit tax treatment	Before my advice	After my advice
Estimated superannuation benefits	$280,000	$280,000
Tax-free component	$55,000 (19.6%)	$280,000 (100%)
Taxable component - taxed element	$225,000	Nil
Estimated tax if paid directly to adult children	**$38,250**	**Nil**

- **More preserved for Alex and Jordan.**
  Based on current tax rates, the strategy could reduce the tax payable if your remaining superannuation benefits are ultimately paid directly to Alex and Jordan by approximately **$38,250**.
- **No personal tax on the withdrawal.**
  As you are over age 60, the lump-sum withdrawal from a taxed superannuation fund will generally be received tax free.
- **Your retirement savings remain available to you.**
  Once re-contributed, the funds will remain within superannuation to support your retirement while improving the potential after-tax benefit ultimately received by Alex and Jordan.

The estimated tax saving assumes Alex and Jordan are not your tax dependants at the date of your death and the taxable component is taxed at 15%, plus the 2% Medicare levy. Actual outcomes will depend on the account balances, tax components, beneficiaries, legislation and tax rates applying at that time.

Risks, disadvantages & other things you should know

- **Final amounts may change.**
  Your withdrawal, re-contribution and resulting tax components will depend on your account balances, transaction costs and investment movements at implementation.
- **Bring-forward provisions are required.**
  The proposed contribution exceeds the standard annual non-concessional contribution cap and will require you to access the bring-forward provisions.
- **Your future contribution capacity will reduce.**
  Based on a **$390,000 bring-forward cap**, the proposed **$280,000** contribution would leave approximately **$110,000** available until the period ends, assuming no other non-concessional contributions are made.

— **Eligibility must be confirmed.**
Your eligibility to contribute and your available non-concessional contribution capacity must be reconfirmed immediately before implementation.

— **Minimum pension requirements apply.**
Any required minimum pension payment must be made from your existing pension account before it is fully commuted and closed.

— **Funds will temporarily leave superannuation.**
The withdrawn funds will temporarily lose the tax treatment and protections applying within superannuation until the re-contribution is accepted. The transactions should therefore be completed as close together as practicable.

— **Contribution-cap risk.**
Exceeding your available non-concessional contribution cap may result in additional tax and administrative consequences.

— **The re-contribution may not be accepted immediately.**
Processing delays, incomplete documentation or an unexpected eligibility issue could prevent or delay the contribution. The strategy should not proceed until contribution eligibility and implementation requirements have been confirmed.

— **Legislative risk.**
Contribution caps, eligibility requirements, superannuation rules and tax rates may change, which could affect the availability or benefit of this strategy.

Alternative strategies considered & why they were dismissed

— **Retain your existing tax components.**
This would avoid the withdrawal and re-contribution transactions and preserve your available non-concessional contribution capacity. However, approximately **$225,000** would remain taxable component, potentially resulting in death-benefits tax of approximately **$38,250** if paid directly to Alex and Jordan.

— **Complete a partial withdrawal and re-contribution.**
This would preserve more of your future non-concessional contribution capacity. However, part of your taxable component would remain and the potential reduction in death-benefits tax would be lower.

— **Withdraw the benefits and retain the proceeds personally.**
This would remove the potential superannuation death-benefits tax. However, the funds would leave the tax-effective superannuation environment, future earnings may be personally taxable and the remaining capital would form part of your estate.

— **Delay the strategy.**
This would preserve your current contribution capacity and avoid completing the transactions now. However, future changes to your eligibility, total superannuation balance, contribution caps or legislation could prevent the strategy from being implemented later.