



PHASE 3 APPROACHING, DEEMING DEFROSTING, CARRY-FORWARD DROPPING - 2024 HERE WE COME!

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AGENDA

1. Test your knowledge
2. 1 July 2024 changes we should be considering – NOW!
3. Total super balance – your questions answered
4. Tech team update

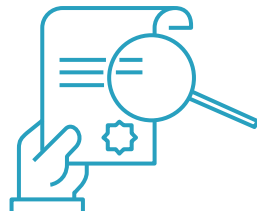


LEARNING OUTCOMES

By participating in this session, you will:



Gain insights into how 1 July 2024 changes may impact your clients



Understand the different components of the total super balance definition



Be able to locate and access important technical resources

TEST YOUR KNOWLEDGE

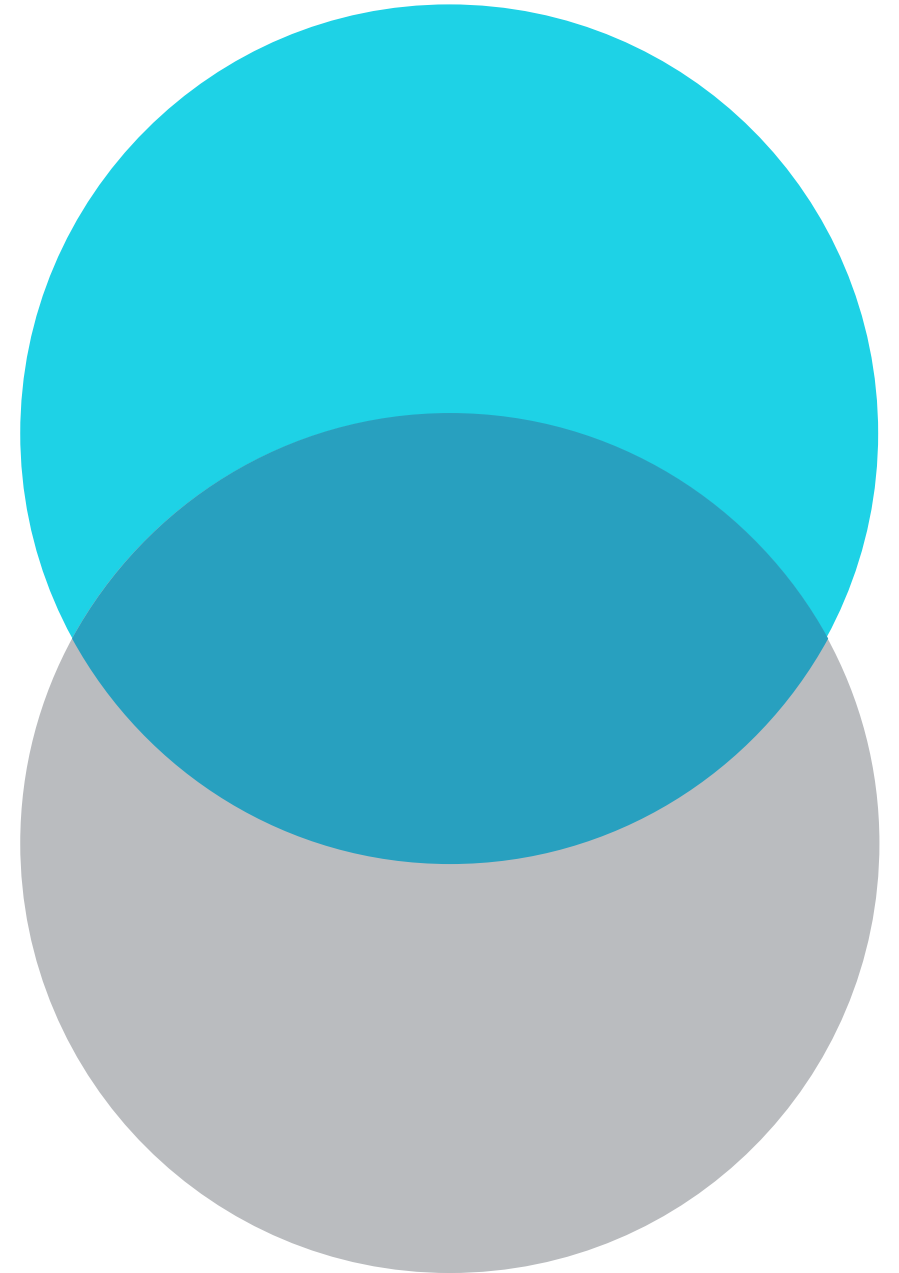


Thumbs up

or



Thumbs down



QUESTION 1: CARRY FORWARD

Len (65) has been retired for 5 years. He purchased an account-based pension (ABP) with the balance of his super funds for \$550,000 in 2017. By 30 June 2023, his ABP was valued at \$495,000, the first time it has reduced below \$500,000. He has no other super.

In the 2023-24 year, Len's taxable income will be \$200,000 due to a one-off capital gain.



Len can claim a tax deduction for personal contributions equal to this year's \$27,500 plus any unused concessional cap from the past 5 years since 2018-19.



Len can claim a tax deduction for personal contributions equal to this year's \$27,500 however cannot claim unused concessional cap from previous years when his total super balance was more than \$500,000.

ANSWER 1: CARRY FORWARD

Len (65) has been retired for 5 years. He purchased an account-based pension (ABP) with the balance of his super funds for \$550,000 in 2017. By 30 June 2023, his ABP was valued at \$495,000, the first time it has reduced below \$500,000. He has no other super.

In the 2023-24 year, Len's taxable income will be \$200,000 due to a one-off capital gain.



Len can claim a tax deduction for personal contributions equal to this year's \$27,500 plus any unused concessional cap from the past 5 years since 2018-19.

Carry-forward tips

- TSB on 30 June in year before claim – previous years TSB irrelevant
- This year's cap + 5 previous years = 6 years in total
- Non-resident in some years OK
- Administration doesn't change
- Can be split to spouse

QUESTION 2: PHASE 3 TAX-CUTS

This financial year (2023-24), Gretta's taxable income will be \$190,000.

What tax saving (including Medicare) will Gretta achieve if she makes a \$10,000 tax deductible contribution to super?



\$2,400 (24%)



\$3,200 (32%)

ANSWER 2: PHASE 3 TAX-CUTS

This financial year (2023-24), Gretta's taxable income will be \$190,000.

What tax saving (including Medicare) will Gretta achieve if she makes a \$10,000 tax deductible contribution to super?



\$3,200 (32%)

What would the answer be from 1 July 2024?

\$1,700 (17%)

REMINDER: PHASE 3 TAX-CUTS

Taxable Income	Current tax rates (%)	1 July 2024 tax rates (%)
\$18,200 to \$45,000	19	19
\$45,001 to \$120,000	32.5	30
\$120,001 to \$180,000	37	
\$180,001 to \$200,000	45	
\$200,001 and over	45	45

QUESTION 3: TOTAL SUPER BALANCE

Sanjay has an account-based pension (ABP) valued at \$350,000 and Mia has an ABP valued at \$500,000. Both accounts have their spouse as a reversionary beneficiary.

Mia dies on 1 November 2023 and her ABP automatically reverts to Sanjay.

Will the value of the death benefit reversionary pension count towards Sanjay's total super balance on 30 June 2024?



Yes – the 30 June 2024 value of account based pensions is included in the total super balance amount.



No – the reversionary pension isn't included in total super balance on 30 June 2024 as it is credited to the transfer balance cap 12 months after death.

ANSWER 3: TOTAL SUPER BALANCE

Sanjay has an account-based pension (ABP) valued at \$350,000 and Mia has an ABP valued at \$500,000. Both accounts have their spouse as a reversionary beneficiary.

Mia dies on 1 November 2023 and her ABP automatically reverts to Sanjay.

Will the value of the death benefit reversionary pension count towards Sanjay's total super balance on 30 June 2024?.



Yes – the 30 June 2024 value of account based pensions is included in the total super balance amount.

All ABP values are included in total super balance on 30 June each year, irrespective of whether reversionary pension has been credited to transfer balance account.

QUESTION 4: SUPER SPLITTING

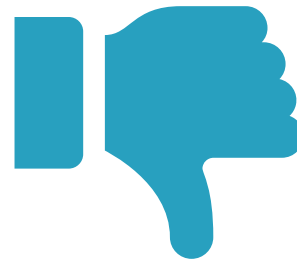
Daryl (64) has made concessional contributions in the 2022-23 financial year of \$40,000 using the carry forward rules and he would like to split some of these contributions to his spouse Linda.

Linda (60) is still working although plans to permanently retire soon.

What is the maximum amount Daryl can split to Linda for the 2022-23 year?



\$23,375 – 85% of the annual concessional cap.



\$34,000 – 85% of the total concessional contributions made.

ANSWER 4: SUPER SPLITTING

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Linda (60) is still working although plans to permanently retire soon.

What is the maximum amount Daryl can split to Linda for the 2022-23 year?



\$34,000 – 85% of the total concessional contributions made.

TRAP

Spouse receiving the super split must not meet the retirement condition of release **AT THE TIME OF APPLICATION**

QUESTION 5: DEEMING

Viktor receives a part Age Pension under the income test.

Having researched the current interest rates for 2-year term deposits and RCV100 annuities with a term of 2 years, he believes that an annuity may provide a slightly better return.

In this situation, for Centrelink purposes, is the assessable income from these two investment types the same or different?



Same



Different

ANSWER 5: DEEMING

Viktor receives a part Age Pension under the income test.

Having researched the current interest rates for 2-year term deposits and RCV100 annuities with a term of 2 years, he believes that an annuity may provide a slightly better return.

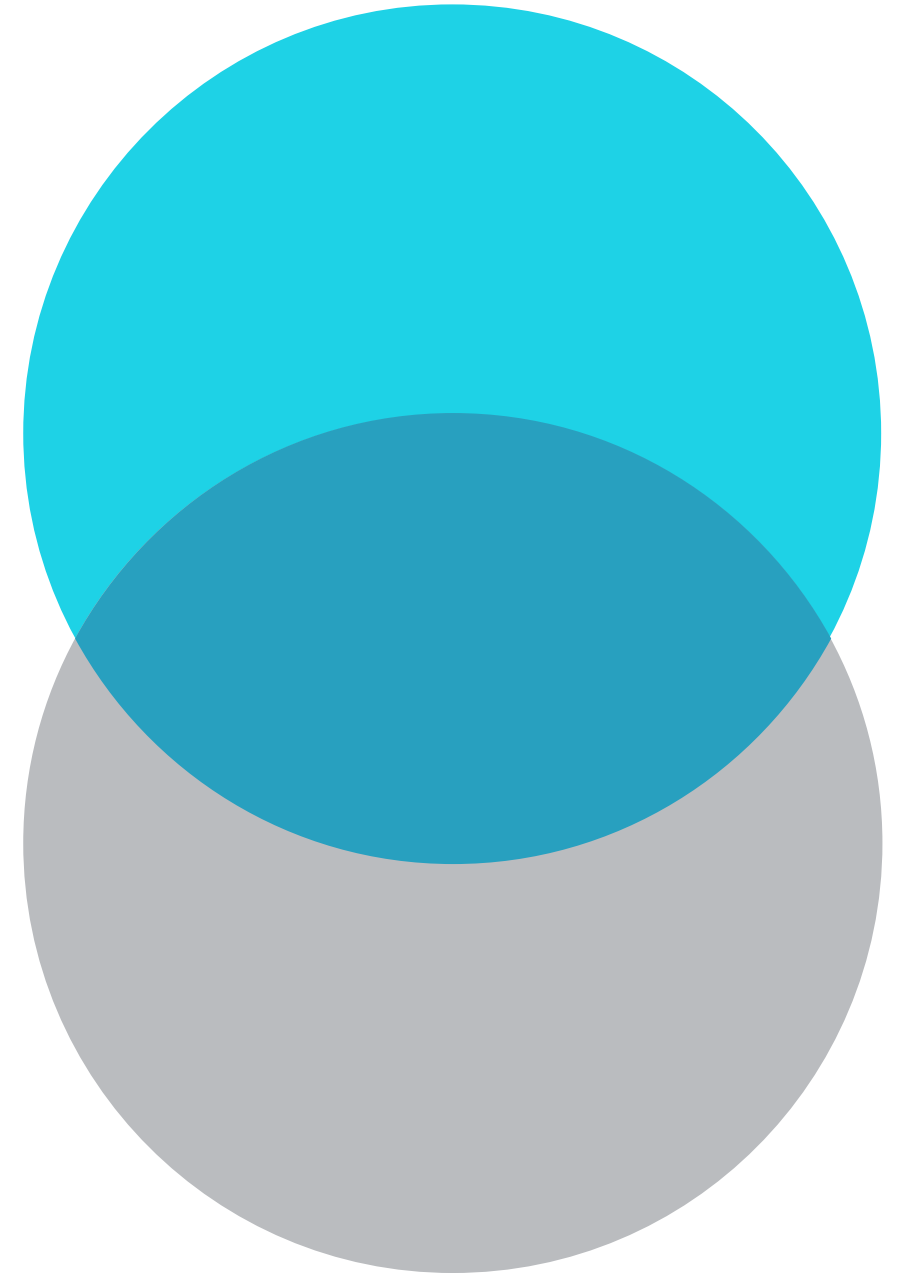
In this situation, for Centrelink purposes, is the assessable income from these two investment types the same or different?



Same – both deemed

- Annuities with a term of 5 years or less are considered short-term income streams and are deemed.
- Longer term = depends (deductible amount, 60% assessment etc.)

1 JULY 2024 CHANGES



1 JULY 2024 CHANGES

Carry Forward

- 2018-19 year drops off
- Maximum carry-forward \$132,500 plus 2024-25 cap

Phase 3

- \$45,000 to \$200,000 @ 30% tax bracket
- Reduced tax benefit for salary sacrifice and deductible contributions

Deeming

- Current 0.25% and 2.25% rates no longer fixed
- What will the 1 July 2024 rates be?

Caps

- Will contribution caps index - \$30,000/\$120,000/\$360,000
- AWOTE figure released in February 2024

CASE STUDY 1 - AVA



- Ava is 60. She is working earning \$120,000 per year and her total super balance on 30 June 2023 was \$487,000.
- Ava would like to boost her super leading up to retirement.
- She has asked whether to sell her share portfolio, realise a \$50,000 capital gain and contribute the sale proceeds to super this financial year or next year when the tax rates reduce.

Year	Concessional contribution	Concessional Cap	Unused Cap
2018-19	\$10,000	\$25,000	\$15,000
2019-20	\$10,000	\$25,000	\$15,000
2020-21	\$20,000	\$25,000	\$5,000
2021-22	\$27,500	\$27,500	\$0
2022-23	\$27,500	\$27,500	\$0
Total cap available			\$35,000

CASE STUDY 1 - AVA

	2023-24 year
Carry forward available	Yes – TSB < \$500,000
Carry forward amount (if available)	\$35,000
Tax saving % based on MTR	24%
Total tax if \$50,000 gain	\$41,515 (\$35K claimed)
Cap available	\$27,500 \$330,000

CASE STUDY 1 - AVA

	2023-24 year	2024-25 year
Carry forward available	Yes – TSB < \$500,000	Likely no – 30/06/24 may exceed \$500,000
Carry forward amount (if available)	\$35,000	\$20,000
Tax saving % based on MTR	24%	17%
Total tax if \$50,000 gain	\$41,515 (\$35K claimed)	\$45,733 (no carry f/wd) \$42,333 (\$20K carry f/wd)
Cap available	\$27,500 \$330,000	? \$30,000 ? \$360,000

CASE STUDY 2 – JIM AND DONNA

Jim and Donna are receiving a full Age Pension.

Their current financial position can be summarised as follows:

Asset	Amount (\$)
Home	1,200,000
Lifestyle assets	80,000
Cash	30,000
Account-based pension (deemed)	200,000
Total	1,510,000



Jim and Donna plan to sell their home and travel for up to 2 years before buying a new home for \$1 million.

They would like to invest the additional \$200,000 proceeds for extra income.

CASE STUDY 2 – JIM AND DONNA

Sell the home for \$1.2 million (net), retain \$1 million in cash to purchase new home and make a \$200,000 downsizer contribution to add to account-based pension.



Home sale proceeds to be used for new home:

- Asset test exempt for 2 years
- Deemed at lower rate

What impact will this have on Age Pension?

Asset	Amount (\$)	Assessable Income	
		Current situation (0.25% & 2.25%)	
Home proceeds	1,000,000		2,500
Lifestyle assets	80,000		-
Cash	30,000		75
ABP	400,000		7,596
Total income			10,171
Age Pension			\$38,425 (Assets)

CASE STUDY 2 – JIM AND DONNA

Sell the home for \$1.2 million (net), retain \$1 million in cash to purchase new home and make a \$200,000 downsizer contribution to add to account-based pension.



Home sale proceeds to be used for new home:

- Asset test exempt for 2 years
- Deemed at lower rate

What impact will this have on Age Pension?

Asset	Amount (\$)	Assessable Income	
		Current situation	From 1 July 2024 (2% & 4%)
Home proceeds	1,000,000	2,500	20,000
Lifestyle assets	80,000	-	-
Cash	30,000	75	600
ABP	400,000	7,596	14,596
Total income		10,171	35,196
Age Pension		\$38,425 (Assets)	\$30,070 (Income)

CASE STUDY 2 – JIM AND DONNA

Sell the home for \$1.2 million (net), retain \$1 million in cash to purchase new home and make a \$200,000 downsizer contribution to add to account-based pension.



Home sale proceeds to be used for new home:

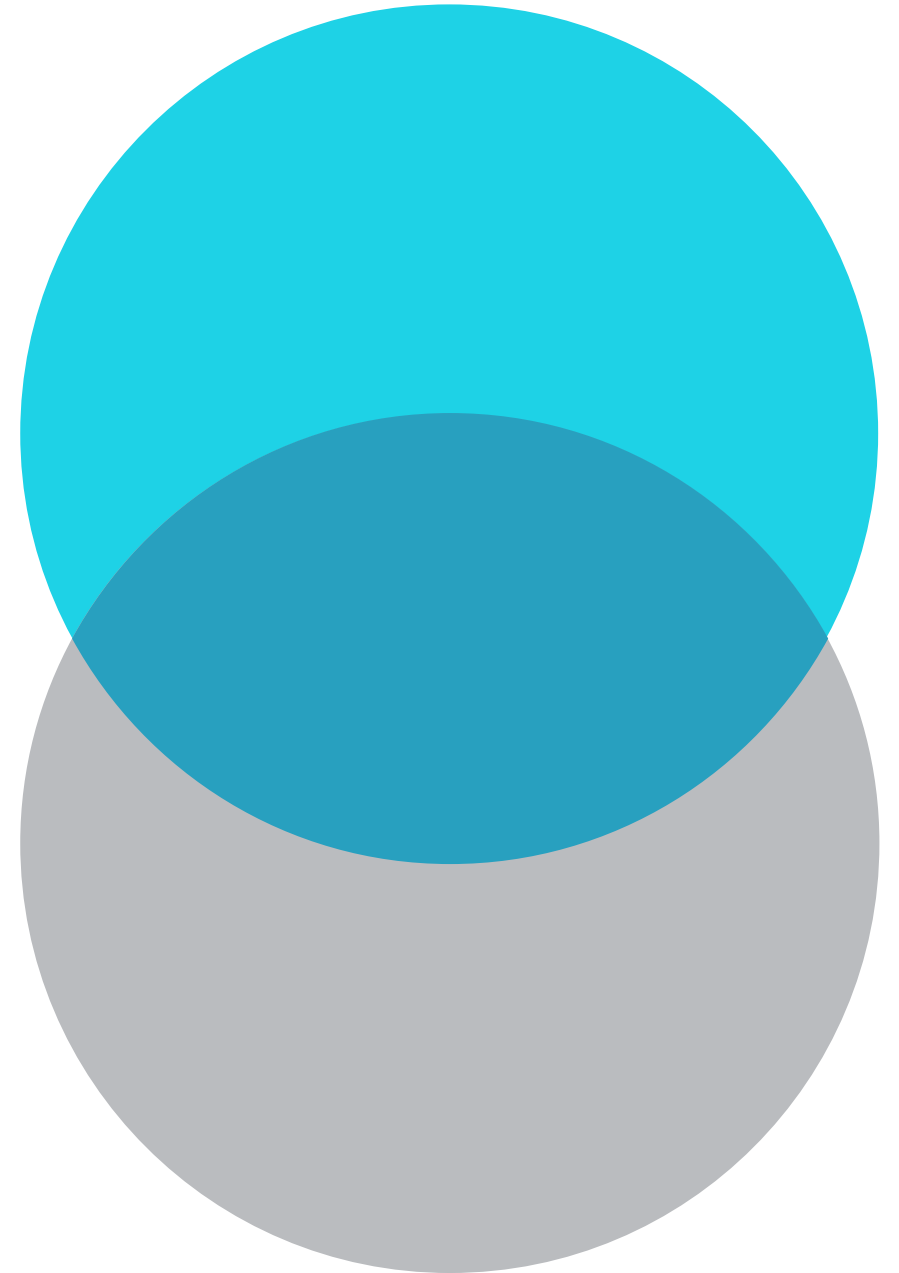
- Asset test exempt for 2 years
- Deemed at lower rate

What impact will this have on Age Pension?

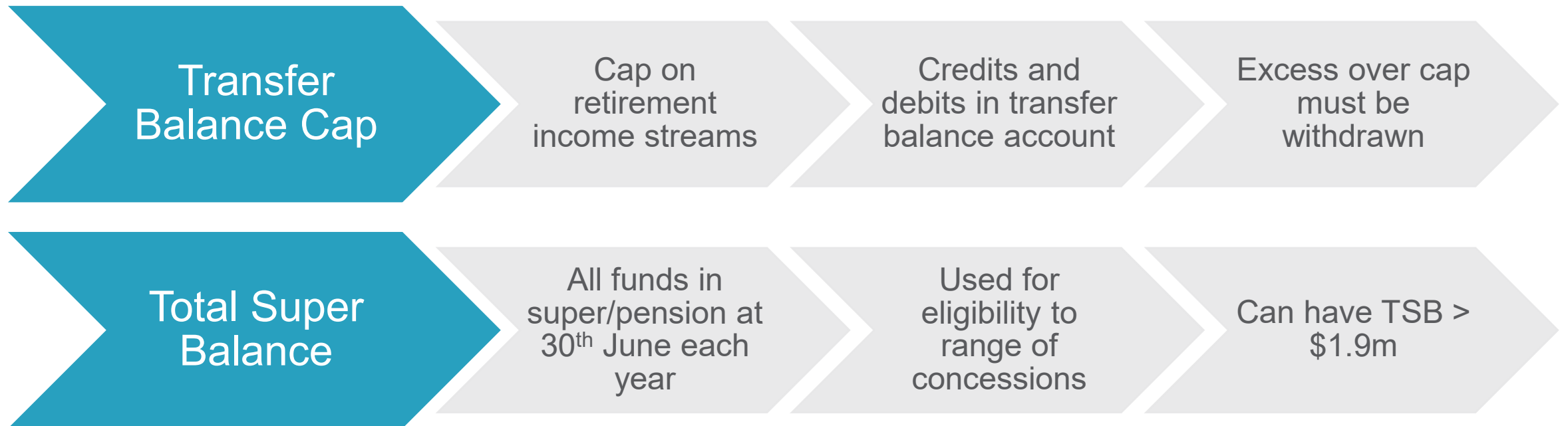
Asset	Amount (\$)	Assessable Income		
		Current situation	From 1 July 2024 (2% & 4%)	From 1 July 2024 (3% & 5%)
Home proceeds	1,000,000	2,500	20,000	30,000
Lifestyle assets	80,000	-	-	-
Cash	30,000	75	600	900
ABP	400,000		14,596	18,596
Total income		10,171	35,196	49,496
Age Pension		\$38,425 (Assets)	\$30,070 (Income)	\$22,920 (Income)

Alternative investments?

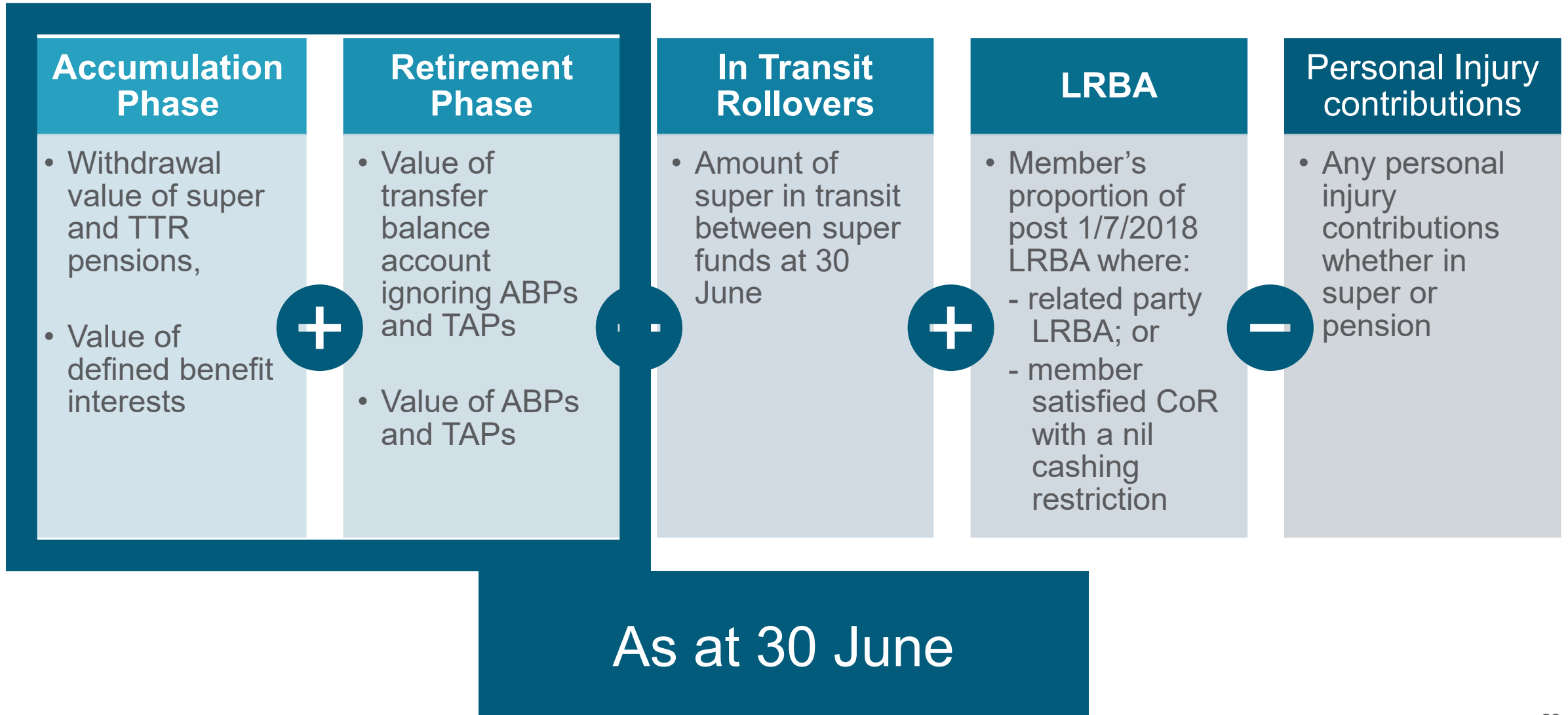
TOTAL SUPER BALANCE



FIRSTLY – TOTAL SUPER BALANCE ≠ TRANSFER BALANCE CAP



WHAT IS TOTAL SUPER BALANCE?



TSB – FREQUENTLY ASKED QUESTIONS



My client has used all of their transfer balance cap. Does that mean they can no longer make personal contributions to super?



No, not necessarily.

The ability to make personal non-concessional contributions is limited by the client's total super balance on 30 June in the previous financial year.

The fact that the transfer balance cap has been fully used has no impact.

Concessional, downsizer and small business CGT contributions can be made irrespective of how much the client holds in super.

TSB – FREQUENTLY ASKED QUESTIONS



My client made a \$130,000 non-concessional contribution in the 2022/23 year and now wishes to make more non-concessional contributions this year (2023/24).

How much can they contribute without exceeding the NCC cap if their total super balance on 30 June 2023 was:

1. \$1,890,000
2. \$1,910,000



1. \$200,000
2. \$0

TSB – FREQUENTLY ASKED QUESTIONS



My client commenced a defined benefit pension in 2015. The first payment received after 1 July 2017 was \$2,000 per fortnight (\$52,000 pa).

By 30 June 2023, the fortnightly payment had increased to \$2,500 (\$65,000 pa).

What value do we include for the defined benefit when calculating the client's total super balance at 30 June 2023?

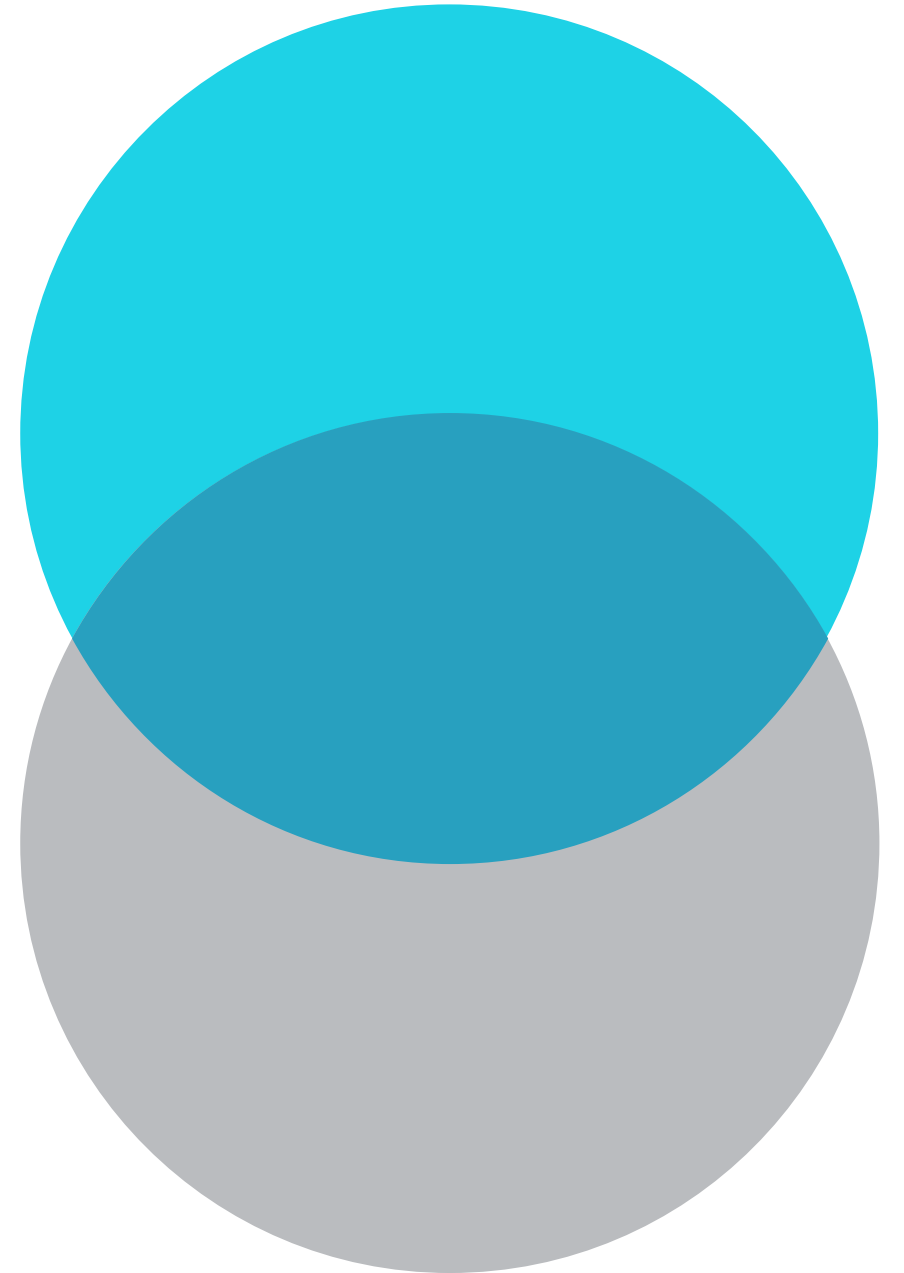


On 1 July 2017, a credit of \$832,000 ($\$52,000 \times 16$) was made to the client's transfer balance account.

Even though the pension payments have increased to \$65,000, the credit in the transfer balance account remains the same.

Therefore, \$832,000 will be the amount counted towards the total super balance.

TECHNICAL TEAM UPDATE



TECHNICAL RESOURCES – CONNECT

The screenshot displays the Centrepont Connect website interface. At the top, the navigation bar includes the Centrepont Alliance logo, menu items for RESOURCES, SERVICES, EVENTS, and NEWS & UPDATES, and user options for SUPPORT, SEARCH, and PETER KELLY. A search bar is positioned below the navigation. The main content area features a 'WELCOME PETER TO Centrepont Connect' message and a search bar. An 'UPDATES' sidebar on the right lists recent articles: 'Platform Availability for APL Funds_August 2021' (22 hours ago), 'Model Portfolio Performance Reports_July 2021' (2 days ago), and 'APL Weekly Changes - Updated Weekly' (5 days ago). Below this, four service categories are presented in blue boxes: GOVERNANCE, ADVICE, BUSINESS MANAGEMENT, and CLIENT GROWTH. The 'ADVICE' category is highlighted with a red circle around its 'Technical Services' item.

GOVERNANCE

- Advice Process
- Adviser Obligations
- Policies and Standards
- Compliance Manual
- Policies
- Calendar of Compliance Activities
- Procedures

ADVICE

- Advice Templates, Tools and Documents
- Products and Platforms
- Professional Development and Education
- Research
- **Technical Services**
- Advice Review

BUSINESS MANAGEMENT

- Your business consultant
- Support we can provide
- Client Segmentation
- Client Value Proposition
- Practice Profitability Model
- Outsourced Paraplanning and Administration

CLIENT GROWTH

- Client Education Guides
- Client newsletters and blogs
- Estate Planning and Legal Services

TECHNICAL RESOURCES – MATRIX



Matrix Planning Solutions

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- Marketing ▾
- Research ▾
- Technical Services**
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TECHNICAL RESOURCES – LAVISTA



SEC 8

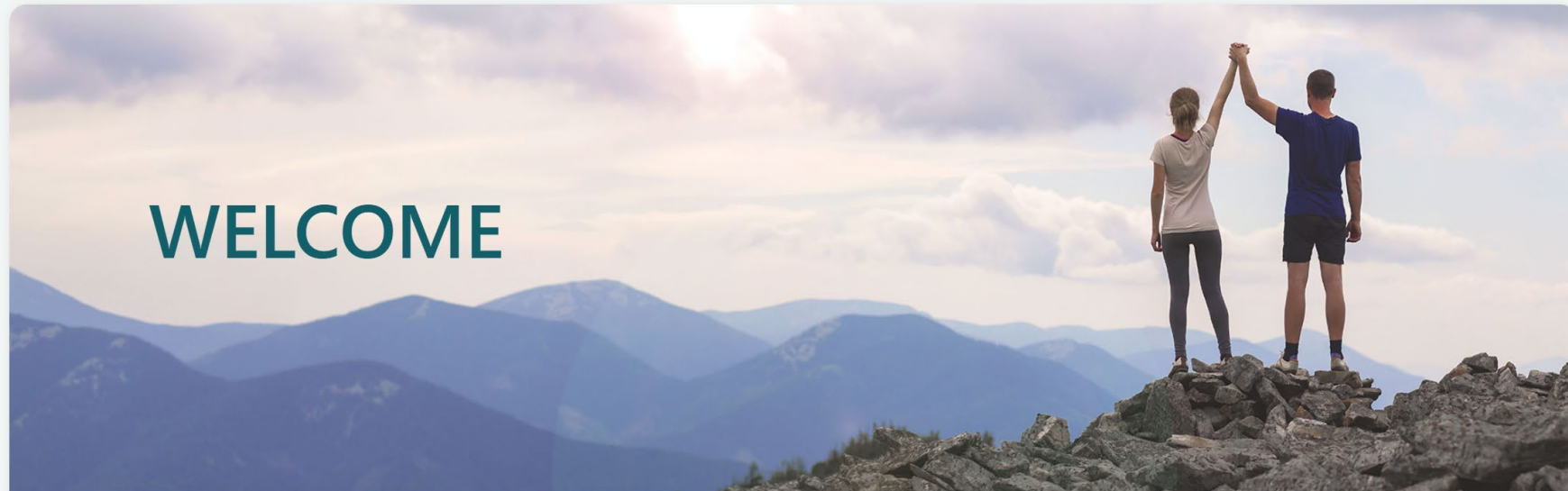
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Introduction

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TECHNICAL RESOURCES – FOR YOU AND YOUR CLIENTS

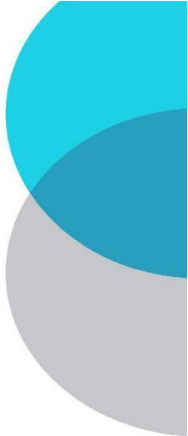
Technical Services

- Tech Updates
- Client facing marketing material
- Adviser tools
- Superannuation Fact Sheets
- Techniview Editions



Age Pension and Aged Care Fast Facts

Tech Update
Release Date 20 September 2023



Downsizer Contributions

Australians aged 55 and over who sell their home are able to make a contribution of up to \$300,000 into superannuation from the sale proceeds. Both members of a couple can take advantage of this rule for the same home, resulting in a total possible contribution of \$600,000 per couple.

Contributions made under this legislation will not count towards other superannuation caps. Additionally, no work test or age restrictions apply, but you must have owned your home for at least 10 years, and it must have been your principal residence at some stage.

Who is eligible?

To be eligible to make a downsizer contribution, each of the following conditions must be met:

Opportunity: Contributing to super can help reduce your capital gains tax while boosting your retirement savings

Have you sold an asset this year that created a significant capital gain, such as an investment property or a share portfolio? Are you wanting to increase your chances of a financially comfortable retirement by investing funds in the concessional tax super system?

Making a personal contribution to superannuation may not only boost your

For those on high incomes, where your total income and concessional contributions for the year exceed \$250,000, an additional 15% tax may be payable on your tax deductible contributions (known as Division 293 tax). Even if this additional tax applies, 30% tax on contributions is still significantly less than the 47% top marginal tax rate.

It's also important to note that for those



Top End of Financial Year strategies for clients

Strategy	Benefits	Does this strategy apply to you?
1. Review your Total Super Balance	Your total super balance on 30 June each year, which includes all funds held in superannuation and pension accounts, can impact your eligibility to a range of concessions such as contribution caps, spouse	



Techniview

September 2023 Edition
Centrepont Alliance Technical Advice Team
Melinda Bendich and Peter Kelly

WRAP UP

Understanding 1
July 2024
changes can add
value to clients
immediately

30 June each
year is the crucial
date for total
super balance



Farewell Mark, we
will miss you!

TECHNICAL ADVICE TEAM CONTACT



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