



## March 2023

With Autumn underway, the changing season is a reminder to take stock and prepare for what's ahead as the financial year heads towards its final quarter and the May Federal Budget.

The gloomy prospects for economic growth, both in Australia and overseas, are occupying the minds of investors, businesses and political leaders.

The Reserve Bank of Australia believes global growth will remain subdued for the next two years and that Australia's economy will slow this year because of rising interest rates, the higher cost of living and declining real wealth. The RBA forecasts the unemployment rate, currently at a low 3.5%, to rise by mid year and inflation, which was 7.8% over 2022, to drop by around 2-3% over coming years thanks to an easing in global prices that will eventually flow through to Australian prices. Oil prices fell almost 3% in February reversing the increase of the previous month.

There have been some economic bright spots recently such as the rebound in retail trade in January of 1.9% after a 4% plummet in sales figures in December. And, Australia's current account surplus increased \$13.3 billion to \$14.1 billion in the December quarter 2022 supported by sustained high commodity prices including \$400 billion worth of mining commodity exports during 2022.

That positive news was enough to lift the Australian dollar slightly to just over US\$67c, halting a slow decline during February.

Australian shares were down by almost 3% during February, while US stocks were down by just over 2% for the month and more than 7% for the past year.

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## Lending Update from SFE Loans

### RESIDENTIAL

We've seen a changing market place over the last 12 months, especially with the rising interest rates. It's expected these will continue to rise for the next six months. So, if you haven't looked at your home or investment loan in a while, it's possibly time for a chat.

We have a team of brokers that can assist you with a simple rate check – [click here](#)

### SELF MANAGED SUPER FUNDS

The rising interest rates have also impacted this specialised space and you may have seen a steep climb in repayments as a result. Refinancing is difficult with SMSF's especially if a Commercial Property: New Application Fees, New Valuation Fees, New Settlement Fees often are more expensive than the benefit of a cheaper rate elsewhere.

However we have a new lender on our panel and if you have over \$400k of "equity" within your fund, combined in cash or in literal property equity after loan balance, Sarah may be able to help you with an affordable and competitive refinance.

If you'd like to chat to her about this, please give her a call on 0421 079 415

### BUSINESS LOANS

If we are feeling the tightening of the purse strings in the personal space, you can guarantee our businesses are also experiencing the uncomfortable squeeze! There are a range of solutions available in business lending for all different types and structures of business, which contrary to usual opinion are relatively easy to access, and can utilise little to no documentation other than bank statements.

### ASSET AND EQUIPMENT FINANCE

New Year New You right? If you are looking to purchase New Assets this Financial Year, we have a range of solutions for Business Owners with very fast service times. Please [click here](#) to enquire



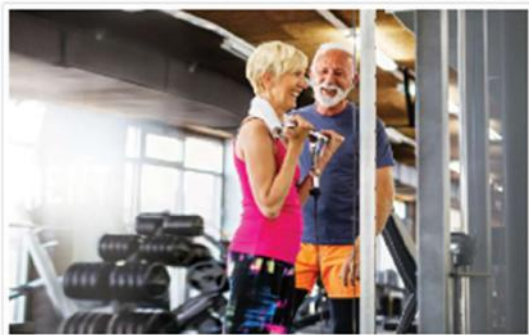
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[Loan Enquiry](#)



## Flexing your retirement plans

**The concept of retirement is changing, with fewer people working towards a final retirement date and then clocking off for good.**

Instead, those who have the flexibility to choose are often transitioning out of the workforce over several years, or even returning after a break.

Whether you simply want to wind back your working hours to explore other interests, or don't want to cut your ties with work completely, to make it work you need to plan.

### Choosing your retirement date

There is no set retirement age in Australia, but most people will not be eligible to receive an Age Pension until they reach age 67.<sup>1</sup> This means you need enough savings to provide another income source if you retire earlier.



Although most of us have super, you are not permitted to access it until you reach your preservation age, which can vary.

Withdrawing your super also requires you to meet a condition of release. There are various conditions, but the most common one is reaching age 60 and permanently retiring from the workforce. Once you turn 65, you can access your super whether you are working or not.<sup>ii</sup>

Keep in mind, tax also affects your super, with different rates applying depending on your age. Most people can access their super tax-free once they reach 60.

## Paying for your retirement

Unfortunately, there is no simple answer to how much income you will need in retirement. It depends on your current lifestyle and planned retirement activities, but a good place to start is the ASFA Retirement Standard.

For around 62% of the population aged 65 and over, the main source of retirement income is the Age Pension and government payments.<sup>iii</sup>

Eligibility for an Age Pension is assessed using your age, residency status and personal income and assets. These determine whether you receive the full fortnightly payment rate, which is currently \$1,547.60 a fortnight for a couple.<sup>iv</sup>

As part of your planning, check for other potential sources of income from investment assets, contract work, or rent from investment or Airbnb properties.

## Using your super savings

While you may dream of retiring early, many of today's retirees can expect to live well into their 80s, so your super may need to provide income for more than 20 years. If you are unsure whether your super is on track, we can help you check your progress and put strategies in place to achieve your retirement goals.

Most super funds provide online calculators to give a rough estimate of your likely retirement balance and how much income it will provide.

ASIC's MoneySmart Retirement Planner is another resource for working out your retirement income and potential Age Pension payments.

## Transition-to-retirement (TTR) pensions

If you would like to ease into retirement, it can be worth investigating a TTR pension. These allow you to cut back working hours while using your super to supplement your income without compromising your lifestyle.

If you are aged under 60 you will pay some tax on pension payments, but they are tax-free once you reach age 60.<sup>v</sup>

TTR pensions also allow you to continue topping up your super through a salary sacrifice arrangement with your employer. You only pay 15% tax on these contributions, which may be lower than your marginal tax rate.<sup>v</sup>

## Giving super a late boost

If you have income to spare as you move towards retirement, perhaps from an inheritance or downsizing your home, there are now additional opportunities to continue adding to your super.

You can make personal after-tax contributions of up to \$110,000 a year until you reach age 75, even if you are not working. You may even be eligible to use a bring-forward arrangement and add up to \$330,000 in a single year.

Once you hit 60, if you are planning to sell your current home you can also make a downsizer contribution of up to \$300,000 (\$600,000 for a couple) into your super account.

## Retiree concessions

When you are doing your retirement sums, don't forget some of the concessions on offer to older Australians. If you are aged 60 and over and working less than 20 hours per week, your state's Seniors Card can provide discounts on public transport and some goods and services.

You may also be eligible for the Commonwealth Seniors Health Card for cheaper prescriptions and medical appointments, or a Pensioners Concession Card for discounted public transport.

*If you would like to discuss your retirement options and how to fund them, give us a call.*

i <https://www.servicesaustralia.gov.au/who-can-get-age-pension?context=22526>

ii <https://www.ato.gov.au/Individuals/Super/>

iii <https://www.aihw.gov.au/reports/australias-welfare/age-pension>

iv <https://www.servicesaustralia.gov.au/how-much-age-pension-you-can-get?context=22526>

v <https://moneysmart.gov.au/retirement-income/transition-to-retirement>

## KnowHow

### Government's proposed changes to the taxation of super

**2 March 2023**

The Government has announced that they intend to change to tax concessions on certain superannuation accounts if you have a total super balance of more than \$3 million. While it is important to understand that this is just a proposal at this time, we understand that you may have some questions about whether this proposal could apply to you.

**Note:** At this stage, the measure is a proposal only and has not been made law. The information included below is based on the announcement made on 28 February by the Government and a [Factsheet](#) that has since been released by Treasury with some additional information. The Government has stated that they intend to consult further on this proposal, and additional changes may be made.

#### What is proposed to change?

Currently, tax on investment earnings within the accumulation phase of superannuation is at a maximum rate of 15%. It is proposed that for certain individuals with a 'total super balance' (TSB) that exceeds \$3 million, additional tax of 15% will apply on a portion of 'accumulation' account earnings.

An accumulation account is a superannuation account that you have prior to retirement or commencing an account based pension, which may receive personal, employer and other contributions.

If your total super balance is less than \$3 million, this change will not impact you, and investment earnings on your accumulation balance will continue to be taxed at the maximum rate of 15%.

The proposed change will not apply to earnings that are in a 'retirement phase pension', where earnings are taxed at 0%. For more information about these accounts and the separate limit called the 'transfer balance cap' that applies to these types of accounts, [see ato.gov.au](https://www.ato.gov.au)

#### What is 'total super balance?'

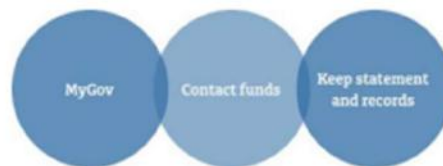
Generally, your TSB is the sum of all amounts you have in the superannuation system (certain exceptions apply\*). At a high level, it includes:

- your accumulation account balances
- your superannuation pension accounts, and
- the outstanding balance of a Limited Recourse Borrowing Arrangement (if you have a self-managed super fund which has borrowed to invest), in certain circumstances.

\* Exceptions and modifications may apply, for example if you've made a personal injury contribution to super. Calculating TSB can be complex, so it is important to seek advice.



There are a few ways you can track your TSB. A useful source of information is your MyGov account. Other options include contacting your superannuation funds and looking at your fund's statements and records. When reviewing your annual statement, the TSB figure your fund reports to the ATO is usually referred to as 'exit value' or 'withdrawal benefit'. This may be different to the 30 June 'closing balance'



### When will this change start?

At the moment, this is a proposal only. Based on the information released by the Government, it is currently intended that this change will commence on 1 July 2025, and that notices of additional tax liability will first be sent in the 2026/27 financial year. Law will need to pass to implement the proposal. Also, some of the details about the proposal may change.

### How will earnings on my account be determined and any tax liability calculated?

To simplify the process and to ensure superannuation funds aren't burdened by additional reporting requirements and system changes, a simplified method has been proposed to calculate fund earnings and any resulting tax liability. Broadly, this looks at your TSB at the beginning and end of the year, as well as any contributions and withdrawals that you've made during the year. Once your earnings have been determined using this simplified method, another formula will be applied to work out how much of these earnings relate to your accumulation account, before tax is applied on this amount at a rate of 15%.

If you don't have any earnings and are instead assessed as having a loss for the year, it has been proposed that you'll be able to carry this loss forward to a future year, to offset a tax liability you may have in the future under this proposed regime.

More detail about this formula and some worked examples can be found on the [Treasury's Factsheet](#).

### How will the additional tax be paid, and will I need to report my balances to the ATO?

The ATO will use data from superannuation funds to work out who is liable for the additional tax and the amount of tax payable. It is expected that the ATO will issue tax notices when the time comes, separate to personal income tax. There is limited detail on how the measure will work and the Government will consult further on practical implementation issues.

### Can I withdraw any of my superannuation to reduce my balance below \$3 million?

Unless you've met a 'condition of release' the information made available on this proposal does not indicate that you'll be able to withdraw any amounts from super to prevent the additional tax. Super law limits the conditions under which you can access your funds. Generally, this is limited to when you reach age 65, meet the definition of retirement, and in certain other limited and exceptional circumstances when you're in financial hardship. For more information about conditions of release, [see ato.gov.au](https://ato.gov.au)

### What if I have more than one fund?

As explained above, TSB takes into account the sum of all of your superannuation interests, including all of your accumulation accounts and superannuation income streams. The \$3 million threshold is cumulative, meaning it is not a limit per super fund, but instead looks at your combined balances.

### How will the additional tax be paid?

The Government's factsheet indicates that the excess tax can be paid:

- directly by you to the ATO, or
- by making an election to release the funds from super.

If you hold multiple funds, you can elect the fund from which the tax is paid.

## I have a defined benefit fund. Will this apply to me?

Yes. The Government intends to include defined benefit funds in the measure. However because defined benefit funds operate differently to other types of super funds such as public offer funds and self-managed super funds (SMSFs), there will need to be further discussion with the industry to work out how defined benefit funds will be captured.

## I have an SMSF. Will this apply to me?

Yes. There is no exemption for SMSFs.

## Should I make any changes now to my retirement savings strategy and is superannuation still worthwhile?

For many people with super savings above \$3 million, superannuation may still offer concessional tax rates on earnings when compared to your marginal rate of tax, which could be as high as 47%. It is important to understand that the answer to this question will be different for everyone and may even change as your personal circumstances change.

There are other potential benefits to superannuation, aside from what for many is a concessional rate of tax on earnings. It is important to remember that this is currently a proposal only, and if formally made law, some of the final details relating to this measure may change from what has been announced.

Please contact your financial adviser if you'd like more information about how this proposal could apply to you if it does become law, and to ensure the strategies you put in place are right for you.

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