Topping up your super with downsizer contributions

Are you thinking of selling your home, or a home you previously lived in, to access money for your retirement?

Did you know that you may be able to contribute the proceeds from the sale into super as a downsizer contribution, depending on your age and circumstances?

This can be a great way to boost your super savings so you can live a more comfortable life in retirement.

About downsizer contributions

If you are aged 55 or older you may be able to contribute the proceeds of the sale (or part sale) of your home or previous home into your super fund.

Even though it is called a 'Downsizer contribution' you do not have to actually downsize as long as you meet all the eligibility requirements.

Am I eligible?

To be eligible to make a downsizer contribution you must meet the following conditions:

- You must have met the eligible age of 55 at the time the contribution is made (there is no maximum age so this may be the only way you can contribute to super if you are over the age of 75).
- Your home must have been owned by you or your spouse for 10 years or more.
- The home is located in Australia and the proceeds of the sale of the home must be exempt or partially exempt from capital gains tax under the main residence exemption or would have been exempt if it was a pre-CGT asset.
- The contribution must be made within 90 days of receiving the proceeds of the sale (usually date of settlement).
- You have not previously made a downsizer contribution to super.
- You provide your super fund with the downsizer contribution into Super Form either before or at the time of making the contribution.

How much can I contribute?

You can make a downsizer contribution up to the maximum amount of $300,000 as an individual or $600,000 as a couple, but the contribution amount cannot be more than the proceeds from the sale of your home.

Example 1

Geoff is 60 years of age and is moving up the coast to be closer to his family. He has lived in his home for 30 years. He sold his home for $500,000. Geoff has owned the home for more than 10 years and has lived in it during the time of ownership. Therefore he can make a downsizer contribution of $300,000 as this is the maximum amount allowable.

Example 2

Sam and Karen are a married couple age 70 and 68. They own the home they live in. Karen also owns another home which she lived in prior to moving in with Sam which she has just sold. She has owned the home for 11 years but only lived in it for 5 of these years. It has been rented out for the remaining 6 years. The proceeds of the sale is $750,000. Both Sam and Karen can make a downsizer contribution of $300,000 each (total of $600,000 combined) as Karen has owned the home for more than 10 years even though she only lived in it for 5 years as her main residence. If Sam and Karen subsequently sell the home they live in they will not be eligible to make another downsizer contribution.

Example 3

Bob and Jane have sold 20% equity in their home for $300,000. They can make a downsizer contribution of up to $300,000 between them. If they decide to sell more equity in their home in the future they will not be eligible to make another downsizer contribution.

Why make a downsizer contribution?

It may be the case that you have a significant sum of money tied up in your home and haven't been able to contribute as much as you have wanted to in the past.

Downsizer contributions allow older members to contribute the proceeds of the sale of these assets and to boost their retirement savings and there is no upper age limit or work test requirements.

No contributions tax is payable on the contribution.

You are able to make downsizer contributions into super regardless of your Total Superannuation Balance (TSB)[1].

The contribution does not count under the concessional or non-concessional contributions caps.

Having a larger super balance can result in higher tax-free income in retirement.

Things to consider

There are also a number of things you need to consider when making a downsizer contribution including:

- You will not be able to access funds in super until such time as you meet a condition of release.
- Your main residence does not count under the income and assets test when Centrelink assesses your eligibility for Centrelink benefits.
- Funds in super and in a retirement phase income stream (such as NESS Pension) may affect your eligibility for the age pension.
- Downsizer contributions count towards your transfer balance cap[2].
- Dwellings owned by a company or trust do not qualify for downsizer contributions.
- Caravans, houseboats, mobile homes and vacant land do not qualify for downsizer contributions.

How to make a downsizer contribution

Complete the Downsizer Contribution Form available at nesssuper.com.au and send it to NESS Super with or before your contribution is made.

If you need help completing the form, call our Member Services Team on 1800 022 067.

Contributions must be made to your super fund within 90 days of receiving the proceeds of sale. However in some circumstances you may be able to request an extension of time.

We're here to help

Financial advice is available to all NESS Super members and simple advice is free of charge.

For more details on our financial planners, including their qualifications and our services visit **nesssuper.com.au/advice.**

If you have any other questions, you can contact our Member Services Team, Monday to Friday between 8:30am – 6:00pm (AEST/AEDT) on **1800 022 067**, or email **contact@nesssuper.com.au.**

[1] See the Contribution Fact Sheet available at **nesssuper.com.au/tools-and-advice/forms-and-guides** for information on TSB.

[2] See the Super Rates & Thresholds page at **nesssuper.com.au/super/super-rates-thresholds** for information on the transfer balance cap.

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