Apt.
WEALTH PARTNERS

DOWNSIZING YOUR HOME

DOWNSIZING AND YOUR SUPER CONTRIBUTIONS

From 1 July 2018, eligible homeowners aged 65 and over will be able to use the proceeds from the sale of their family home to make a downsizer contribution of up to $300,000 each into their superannuation.

Depending on your circumstances, the 'Downsizing Measure' could be an effective way to boost your superannuation savings. Here we provide an overview of this government initiative. We invite you to call Apt Wealth Partners to discuss how this may affect you and whether this could be beneficial for your personal circumstances.

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Here's what you need to know:

Homeowners do not need to comply with the existing work test and age limit eligibility criteria for contributing to superannuation.

The home must have been owned for 10 years or more prior to disposal and cannot be a caravan, houseboat or mobile home. The proceeds from the sale must be either exempt or partially exempt from capital gains tax (CGT) under the main residence exemption.

The exchange of contracts must occur on or after 1 July 2018. Furthermore, the contribution to superannuation must be made within 90 days of the date of change in ownership as a result of the disposal (e.g. the date of settlement), however, an extension may be granted in certain circumstances.

The contribution amount cannot be greater than the total proceeds of the sale of the family home. For example, if a couple sell their family home for \$500,000 - the maximum contribution both can make cannot exceed \$500,000 in total – this means the couple can either choose to contribute half each (i.e. \$250,000) or split it (e.g. \$300,000 for one and \$200,000 for the other).

The contribution is not limited by the contributions caps or the \$1.6 million total superannuation balance limit on making non-concessional contributions, however, the amount contributed will increase the total superannuation balance and can therefore limit the ability to contribute in future years.

Unlike the family home, funds that have been contributed to an individual's superannuation may reduce their Age Pension benefits, and increase any means tested Residential Aged Care and Home Care fees they pay.

Lastly, the Downsizing Measure may only be used once (i.e. on one family home) and despite the name, 'Downsizing Measure', there is no requirement to purchase another home nor is there a restriction imposed on purchasing a more expensive replacement.

Source: Treasury Laws Amendment (Reducing Pressure on Housing Affordability Measures No. 1) Act 2017, which received royal assent on the 13th of December 2017.