

BNSW | Planning Pty Ltd
 Planning and Financial Advisors

2017 Superannuation Reforms

Practical implications and solutions

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 Planning and Financial Advisors

Agenda

- Introduction - Nick Aston CA SSA
- Graeme Colley - Super Concepts
 - Contributions
 - \$1.6m Pension Limit and Transfer Cap
 - Transition to Retirement Pensions
 - CGT Changes and Elections
- BNSW Planning - Geoff Fitzgerald CA SSA
 - What do I need to do and who can do it?
 - AFSL Licensing
- Q&A
- Refreshments

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1 July 2017
It's a Super date

Graeme Colley
Executive Manager Technical and Private Wealth
SuperConcepts

Super Concepts logo

What you need to know

This content of this presentation has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, you need to consider (with or without the assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances. You should obtain a copy of the relevant Product Disclosure Statement (PDS) before making a decision to invest in any financial product.

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Super Concepts logo

Today's presentation


Doing super things to 30 June 2017

- Tax deductible and non-deductible contributions
- Pension adjustments
- Resetting the CGT cost base

What happens from 1 July 2017?


- Tax deductible and non-deductible contributions
- Catch-up contributions
- Restrictions on making contributions
- The pension cap

Super Concepts logo



Super Contributions to 30 June 2017

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Tax deductible contributions


2016/17 tax year:
\$30,000 if you are under 50
\$35,000 if you are 50 or older

Applies to:

- Employees
- Self-employed
- Investors

What to do:

- Maximise tax deductible contributions for this year



Non-deductible contributions

2016/17 tax year:
\$180,000 at any age
\$540,000 using the 3 year bring forward rule
– under 65

Applies to:

- Anyone under age 65
- Need to meet the work test after 65
- No more non-deductible contributions after 75

What to do:

- Maximise non-deductible contributions for this year

Case studies



- Trevor is 45 and has received an inheritance from a distant relative
- Nick is 67, works 40 hours in a month, and will retire permanently by 30 June 2017
- Christine is 51 and has some public company shares she wishes to transfer to her SMSF

Super Contributions from 1 July 2017

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Super Reform – from 1 July 2017



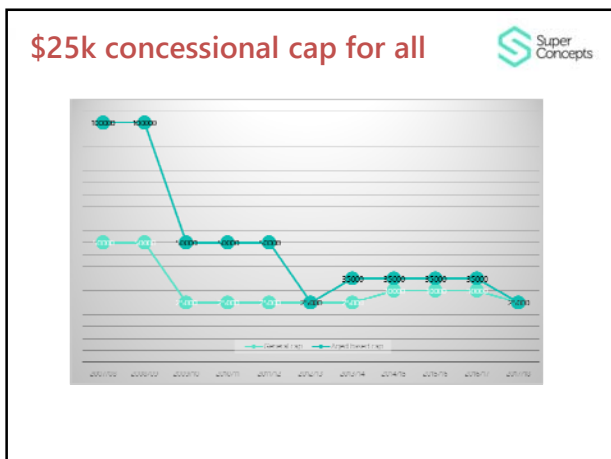
Superannuation tax deductible contributions cap reduced to \$25,000

Applies to all taxpayers regardless of age

- Employees need to review salary sacrifice agreements

Chris is 49 on 30 June 2015

- 2016/17 max concessional = \$35k
- 2017/18 max concessional = \$25k.



- ### Deductible Contributions from 1 July 2017
- Tax deductions for personal contributions**
- 10% rule to be removed from 1 July 2017
 - Eligible to claim a deduction regardless of employment circumstances*
 - Allows all individuals to make contributions up to the deductible contributions cap
 - Deductions limited to assessable income
 - Tax deduction election process remains unchanged for now.
- * Members of certain prescribed funds will not be entitled to deduct contributions to those schemes.

- ### Deductible Contributions
- Tax deduction for personal contributions**
- Removes need for salary sacrifice agreements
 - Must be done prospectively
 - Cater for unexpected bonus payments
 - Employers who do not offer salary sacrifice
 - Employers who count salary sacrifice towards SG liability
 - Easier to determine.

Deductible Contributions



Catch up deductible contributions

- Unused portion of deductible contributions cap carried forward on a rolling 5-year period
- Effective from 1 July 2018 (2019/20 first catch-up opportunity)
- Not a bring forward entitlement
- Must have less than \$500k in "total superannuation balance"
 - Measured at 30 June of prior year.

Unused deductible contributions



	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Concessional contributions	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$40,000*
Available unused cap	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$0
CC cap	\$25,000	\$40,000	\$55,000	\$70,000	\$85,000	\$70,000

*Must have less than \$500k in total super as at 30 June 2023.

\$25,000 cap for 2023/24 + \$15,000 unused cap from 2018/19

Non-deductible contributions– from 1 July 2017



Non-deductible cap limit reduced from \$180k to \$100k from 1 July 2017

- Limit is Nil if member has a total balance of \$1.6m in super (including pensions) as at 30 June the previous year
- Opportunity in 2016/17 to maximise contributions
- Any unused portion of the \$540k cap will be reduced from 1 July 2017

Non-deductible contributions- from 1 July 2017



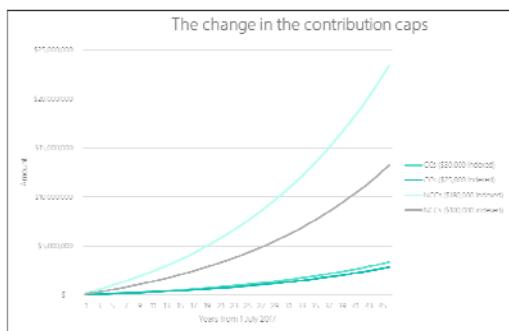
Non-deductible cap limit reduced from \$180k to \$100k from 1 July 2017

The 3 year bring forward cap, if triggered before 1 July 2017, differs depending on the year of contribution

Year	NCC Cap	Example 1 Contributions	Remaining Cap	Example 2 Contributions	Remaining Cap
16/17	\$180k	\$540k	\$0	\$200	\$340
17/18	\$100k	\$0	\$0	\$0	\$180
18/19	\$100k	\$0	\$0	\$180	\$0

And will be reduced by any amount in the member's super over \$1.6M at the previous 30 June.

Impact of drop in contributions?



Lower non-deductible cap



	2016/17	2017/18
Non-deductible cap	\$180,000	\$100,000
Maximum bring-forward amount	\$540,000	\$300,000

From 1 July 2017, no non-deductible contribution cap for the income year if your total super balance at 30 June prior exceeded the transfer balance cap (\$1.6m for 2017/18).

Bring forward considerations



Total super balance on 30 June prior	NCC cap for the first year	Bring forward period
Less than \$1.4m	\$300,000	3 years
\$1.4m to less than \$1.5m	\$200,000	2 years
\$1.5m to less than \$1.6m	\$100,000	No bring forward available
\$1.6m or more	Nil	N/A

Note: If the bring forward rule is triggered, in subsequent years the total super balance must be under the general transfer balance cap.

Pensions cap




The \$1.6 million transfer balance cap Starts on 1 July 2017



From 1 July 2017 a \$1.6m super transfer balance cap will apply to the total amount of super that can be transferred into retirement phase accounts.

- Subsequent earnings not counted
- Amounts in excess of \$1.6m to be maintained in an accumulation account (where earnings are taxed at 15%)
- If already over \$1.6m, you will be required to reduce your retirement balance to \$1.6m by 1 July 2017
- Transfer cap increased by CPI in \$100,000 increments.




Super Reform

Transfer balance cap
Creation of transfer balance account

Credits (+)	Debits (-)
Value of all pension accounts as at 30 June 2017	Commutation of capital value of the pension
Commencement value of new pensions	Structured settlement value
Value of reversionary pension at time individual becomes entitle to them	Family Law payment splits
Notional earnings that accrue on excess	Losses due to fraud or bankruptcy


Pension payments, investment gains & losses do not give rise to debits or credits



Transition to retirement income streams not included in the transfer balance cap

Ensuring that the **transition to retirement income** streams are fit for purpose.

- Currently pay no tax on fund earnings supporting this type of pension. Payments may be taxed as lump sums further reducing tax for under 60s
- From 1 July 2017 underlying returns are taxed the same as accumulation accounts. Payments may not be taxed as lump sums



Resetting the CGT cost base

To recognise the transfer from pension phase to accumulation phase the CGT cost base of the fund's investments can be reset

- A pension affected by changes must have been in place during 9 November 2016 to 30 June 2017
- Resetting the cost base is optional
- The reset depends on whether the fund assets are segregated or unsegregated

Resetting the CGT cost base?



- Sam's SMSF purchased a property in Sydney in 2010 for \$400k
- The current value is \$1.5 million
- Al's SMSF purchased mining shares in 2010 for \$10 each
- The current value is \$1
- Phil's SMSF purchased IT shares for \$20 which are now valued at \$50. The shares will be sold in December 2017

Who's impacted by the pensions cap



- Anyone with a balance in pension phase of \$1.6 million on 30 June 2017
- Anyone who is drawing a transition to retirement pension from super
- Anyone who will commence a pension from 1 July 2017

Footer

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Don't forget the caps



\$1.6 million pension transfer balance cap



\$1.6 million member balance cap for non-concessional contributions



\$500,000 member balance cap for catch up concessional contributions



\$25,000 deductible contributions cap



\$100,000 non-deductible contributions cap



\$300,000 non-deductible contributions cap

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Lots of Change - Now What?

Geoff Fitzgerald
 Authorised Representative
 BNSW Planning Pty Limited

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Who needs to do something?

	Action Required			
	Commutation of Pension	Pension Strategy	CGT Election	Contribution Strategy
Member Characteristics Pensions > \$1.6m & over 65 years old	✓	✓	✓	✗ <small>(unless still working)</small>
Pensions < \$1.6m & over 65 years old	✗	✓	✗	✗ <small>(unless still working)</small>
Pension phase > \$1.6m & less than 65 years old	✓	✓	✓	✓
Pension phase < \$1.6m & less than 65 years old	✗	✓	✗	✓
Part pension/part accumulation regardless of age	✗	✓	✓	✓
Transition to Retirement Pension > \$1.6m	✓	✓	✓	✓
Transition to Retirement Pension < \$1.6m	✓	✓	✓	✓
Accumulation Phase	✗	✗	✗	✓

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Who can do it and who can help?

1. Do it yourself
 - Document changes in accordance with deed
 - Instruct BrentnallsNSW as Administrator
2. Engage your Financial Planner
 - Document changes in accordance with deed
 - Utilise professional fees already being paid
 - Instruct BrentnallsNSW as Administrator
3. BNSW Planning

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AFSL Licensing

Brentnalls NSW vs BNSW Planning

- Accountants limited in their advice to *questions of fact*. "Could..." questions
- Accountants can provide tax advice. Assist in CGT elections and tax implications *where pension decision already made*.
- Anything more is *personal advice* and requires an Australian Financial Services License. "Should..." questions
- 1 July 2016 legislation strengthened further by Super Reform Bills

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BNSW Planning


- BNSW Planning is a licensed advisor as a Corporate Authorised Representative of Accountants Private Advice
- Authorised Representatives - Nick Aston and Geoff Fitzgerald
- Can provide wholistic strategic advice on Superannuation as well as limited investment advice on specific superannuation issues
- BrentnallsNSW can implement and record based on BNSW Planning advice
- Provide guidance in form of Statement of Advice and Records of Advice

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Transition advice - Basic

- Limited Statement of Advice
 - How to come back to \$1.6m pension
 - Commutation of Transition pension
 - Pension Strategy
 - Contribution Strategy
 - Limited on-going benefit
- Process
 - Financial Services Guide
 - Limited Fact Find
- Cost
 - Starting at \$1,500 + GST depending on number of issues addressed


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Comprehensive Advice

- Comprehensive Statement of Advice
 - All transition issues
 - Investment allocation and insurances
 - Estate Planning
 - Base of long term strategy and on-going advice
- Process
 - Financial Services Guide
 - Comprehensive Fact Find
- Cost
 - Starting at \$3,000 + GST depending on number of issues addressed


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Event Based Advice

- Required for
 - SMSF Establishment
 - SMSF Cessation
 - Combining Superannuation Accounts
- Process
 - Financial Services Guide
 - Superfund comparison and suitability of SMSF
- Cost
 - Starting at \$3,000 + GST plus disbursements

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Summary

- Reforms affect all Super. Some short term, some long term
- Decisions need to be made
 - Some pension commutations essential
 - CGT relief requires an election
- Does not need to be a cost burden
 - Professional advice is not essential
 - Where desired; it can complement your Fund administration

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Q & A

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Thank you!

*Please join us for refreshments
and a chat!*
