00:00:32:19 - 00:01:04:03
Josh
Hi and welcome back. In our last episode, we were talking about the exciting period that you have in your superannuation journey where you can think about planning for your retirement and really starting to picture what it's going to look like and feel like. What we're wanting to do in this episode is think more about some of the unique strategies and opportunities that really come up and are available to you in that period, immediately before retirement.

00:01:04:05 - 00:01:31:13
Josh
These are strategies that aren't really available when you're younger. And some of these strategies in fact end once you start retirement. So it's really exploring how, as you come into those years immediately before your retirement, you're still growing your balance through contributions, but you're also setting yourself up more for that retirement success that we talked about in our last episode.

00:01:31:15 - 00:02:08:09
Josh
Before we get to all of that, though, noting, I am joined by two wonderful superannuation education experts today. I'd like to first make a couple of acknowledgments. Firstly, to all of you, thank you for again investing your time in your superannuation journey and your own plans for retirement. But also, I'd like to acknowledge the traditional owners of the lands in which we are broadcasting this today, the younger and peoples, but also acknowledge the traditional owners of all the lands that you are joining from.

00:02:08:11 - 00:02:41:21
Josh
I'd like to also, though, acknowledge that today's session, including what we'll be going through in the Q&A section of today, is of a general advice nature only. So as we go through today's episode, as we have with previous, if there are any questions that emerge for you which we actually encourage and hope occur. If you're looking for more information or more answers, please visit our website or reach out to us to have a deeper discussion.

00:02:41:23 - 00:03:24:00
Josh
Now, I'll shortly be handing over to Jash, one of our education experts, and then Jash will be followed by Megan to explain things in a bit more detail. But before I do that, let's reflect a little bit back and consider what we're going to be talking about. So in previous episodes, we've talked about how the two biggest things that can actually have an impact on your superannuation and your retirement balance and the income that that can generate are what you do around contributions and what you can do around investment choice to grow upon those contributions.

00:03:24:02 - 00:03:54:09
Josh
Our focus today is going to be thinking about those contribution opportunities that you have as you approach retirement. As I said, there is actually this unique sweet spot that is only available to you much later in your contribution journey before you hit retirement. There's also, though, a couple of obstacles that we need to consider when we're thinking about contributions closer to retirement.

00:03:54:15 - 00:04:23:00
Josh
And these are going to be based both on the limits and the ways that you can put money into your super, which we've talked about previously, but also now some age considerations that are placed upon this. So firstly, if I just reflect back quickly in previous episodes, we've talked about the two main ways that you have can have contributions come into your account at a really high level.

00:04:23:00 - 00:04:52:05
Josh
We have pre-tax contributions, which is really any monies that are going into your super through an employer arrangement or any contributions you are making yourself that you are then claiming as a tax deduction. We'll come back to this shortly. The other way that you can have moneys come into your account is through post-tax or after tax contributions. What we also refer to as non concessional.

00:04:52:07 - 00:05:30:05
Josh
And this is where you make a contribution into your super that you do not claim as a tax deduction or contributions that a spouse may put into your account on your behalf. As we also discussed in previous episodes, though, there is some government incentives that may apply to you if you contribute in this way. Now, we'll discuss some of this in more detail throughout this episode, but we'll also have Jash join us shortly to talk about a new opportunity that comes up in this period just before retirement.

00:05:30:11 - 00:06:00:09
Josh
And that's actually thinking about using your home where you one, downsizing it, and putting some of those proceeds into your super. I'm though, not going to steal Jash's thunder. We'll let him cover that in more detail in a moment. But what we talked about again in previous episodes is that these different types of contributions all come with limits as to how much you can put in.

00:06:00:11 - 00:06:32:15
Josh
But as I also mentioned, it is at this point before retirement that we also have to think about our age. It does become an obstacle that we need to plan for. But first again without stealing his thunder is to talk about this downsizer opportunity. All I'll say here is that once you turn the age of 55, you have the ability to downsize your home and put some of those proceeds into your super.

00:06:32:18 - 00:07:02:16
Josh
There are considerations with that, though, that we'll come to in a moment. There's also opportunities which Megan will go through a little later in today's episode, that talk about where you can actually contribute on behalf of your spouse through what's called a spouse splitting arrangement. And it's important to note in this regard that as you age, they actually come with some additional considerations.

00:07:02:18 - 00:07:39:15
Josh
Likewise with you yourself making contributions. As you age, the ways in which you can make contributions start to meet some additional tests or start to be cut off completely. So we very often get asked the question, how long can I contribute for? How can I continue to put money into my super later in life? Know that there's a point where the government wants you to stop using your super to accumulate wealth, and instead be using your super to draw down from.

00:07:39:15 - 00:08:19:10
Josh
And so as a result, some of these contribution obstacles actually start coming into play. Importantly, government policy over recent years has started to extend these much later in life. So previously we saw some hurdles at much younger ages then we have today. You can now contribute for much longer into your life than you once could. But to start us on this journey, firstly thinking about the downsizer, we'll cut to a brief video that Jash has filmed for us, and then after that, we'll go to Megan at the desk.

00:08:19:12 - 00:08:20:18
Jash
For those who are

00:08:20:20 - 00:08:41:23
Jash
Already in retirement or about to retire and do own a home, the downsize of contribution could be a great way to free up some of that capital from your own home and put the proceeds of that into your superannuation. And at the same time, allow you to move to a home that might be more suitable for you in retirement.

00:08:42:00 - 00:09:01:20
Jash
If you think about the home that you might be owning now, it might have four bedrooms, for example, could be a double storey house that you're needing to climb the stairs of every single day and require a lot of maintenance and upkeep. Think about the lawns, all the types of repairs that you might have to do when your home is starting to get on a little bit in age.

00:09:01:22 - 00:09:26:03
Jash
Making this downsize a contribution can allow you to sell that home and put the proceeds of that sale into your superannuation and at the same time purchase a home that might be a bit more suitable, which is less bedrooms, a lot easier to keep clean and maintain, and it's going to be more suitable for this next stage of your life when you are in retirement.

00:09:26:05 - 00:09:51:03
Jash
Now, this provision allows you to put in up to $300,000 per person, and if you are part of a couple, this could mean up to $600,000 that could be put into your superannuation accounts through this downsize of provision. And the great thing is only one of you needs to have owned the home. So even if your partner isn't on the title, they can still make a downsize a contribution.

00:09:51:05 - 00:10:14:07
Jash
Another great advantage of this contribution is that it doesn't affect your current contribution cap limits. So your before tax cap and your after tax cap are unaffected by this contribution, as well as your total superannuation balance as well. So this downsize contribution, it is a special type of contribution that can be made over and above all of those limits.

00:10:14:09 - 00:10:40:21
Jash
One thing to keep in mind though, is once you do start an income account with this money, that money will start counting towards your transfer balance cap. Now this downsize a contribution does have some eligibility criteria, with the first one being an age eligibility which is currently aged 55 and above. So you do need to meet this age before you are able to make a downsize a contribution.

00:10:40:22 - 00:11:10:21
Jash
But the beauty is that there is no upper age limit, so you can contribute even if you are above the age of 75, which is generally when contributions into your superannuation cease for you personally. Some of the other eligibility criteria I have mentioned already is that it is a maximum of $300,000 per person. However, it does also need to be the amount or lesser than the amount of the proceeds of the sale.

00:11:10:23 - 00:11:33:01
Jash
So if you did sell your property for $800 000, for example, that would be a maximum of $600,000 that you could put into your superannuation $300,000 each. But if you only had $400,000 from the proceeds of your sale, that would only be a maximum of $400,000 that could be put in. You do not have the full of $600 000.

00:11:33:03 - 00:11:55:17
Jash
If in that example you had $400,000 from the proceeds of your sale. It is up to you and your partner how you want to contribute that in whether that's $200,000 each or one person could do the full $300,000. As long as the other person limits theirs to $100 000, you cannot go over the limit of the proceeds of the sale of your house, as I have mentioned there.

00:11:55:19 - 00:12:23:14
Jash
Next is the timing of when this money needs to go in, and that is within 90 days of settlement. So once you do sell your house, the money does need to get into your account fairly quickly, and there is a special form that you do need to complete and send in along with your contribution, so that it can be allocated as a special downsize or contribution separate from those different contributions that I have mentioned earlier.

00:12:23:16 - 00:12:45:16
Jash
The last eligibility criteria is that you must have owned you, or your spouse must have owned this home for at least ten years, and for at least part of that time. It needs to be capital gains tax free, which means it must have been your principal place of residence. So it doesn't have to be. At the time that you make this downsize a contribution.

00:12:45:16 - 00:13:07:05
Jash
It might have since then turned into an investment property, for example, but for some point of time it must have been your principal place of residence and be exempt from capital gains tax. So they are the main eligibility criteria when it comes to making a downsize a contribution. And one important consideration that you do need to keep in mind is how this could then affect you.

00:13:07:06 - 00:13:28:23
Jash
When it comes for age, Pension means testing because your principal place of residence is generally exempt from the assets and income test when they go to do the testing for how much Age Pension you are able to receive. Once you sell your home, though, the proceeds of this sale could start affecting how much Age Pension you could receive.

00:13:28:23 - 00:13:49:23
Jash
And we'll go through a bit of a case study to really outline what this could mean for you. Now, keep in mind that there might be a bit of an exemption period here where for the assets test, if you are using the proceeds of the sale of your home to then purchase a new property, the proceeds of that sale can be exempt from the assets test for up to two years.

00:13:50:00 - 00:14:14:13
Jash
And then for the income test, it is just deemed at the lower deeming rate, which is currently 1.25%. So there is a little bit of an exemption there, but keep in mind that you are now moving from an asset that was exempt from the

means testing for Age Pension. But once you turn that into money from the proceeds of the sale, that will start being assessed, so could impact your Age Pension.

00:14:14:16 - 00:14:50:20
Jash
But now let's go to this case study, which will really display this in a bit more detail. So we've got a couple here who were currently receiving the full Age Pension of roughly about $47,000 combined per annum, and they're moving from their large family home into a smaller apartment after selling their home. They are going to be left with net proceeds of about $500,000 after the purchase of their apartment, and they had roughly $400,000 of other assets and that they were being assessed on for the Age Pension.

00:14:50:22 - 00:15:13:16
Jash
Now, previously, their own home was exempt from the assets test, and they only had about $400,000 of other assets, which meant they were under the assets threshold to be able to receive the full Pension. Now that they've sold this large family home for more money than the new apartment cost them, which left them with net proceeds of about $500 000.

00:15:13:19 - 00:15:33:20
Jash
This has now taken their total assets to a total of $900,000, which means that they're not going to be able to get the full Pension anymore. And this is where it could impact what happens with them moving forward in terms of how much they need to draw out of their superannuation accounts and how much Age Pension they may be able to receive.

00:15:33:22 - 00:16:03:11
Jash
So let's have a look at some of these figures and see what these impacts might be. Now, once this money, this extra $500,000 is deemed for the income test, depending on what other financial assets that this couple might have, the additional deeming could be anywhere between $540 to $625 extra per fortnight, which could impact them for the income test by up to $313 a fortnight.

00:16:03:13 - 00:16:29:05
Jash
However, for this couple they are being assessed for their Age Pension through the assets test. So when we have a look at how this is going to impact them when it comes to the assets test, you can see what sort of a big difference it can make to them. With this additional $401,000 that is going to be assessed over and above the current asset threshold for a home owning couple, which is $499,000.

00:16:29:08 - 00:17:06:00
Jash
Their total of $900,000 in assets takes them over by $401,000. This could actually impact their Age Pension by up to more than $1,200 a fortnight, which, once you calculate that for the whole financial year, becomes over $31,000 impact to their Age Pension. Now, keep in mind that this couple was receiving the full $47,000 previously, but this is now going to be reduced by potentially by as much as $31,000, which means they're getting a much lower amount from Age Pension.

00:17:06:00 - 00:17:26:05
Jash
It could be in the realm of around 16,000 now only, which means they need to start drawing a lot more money from their Age Pension. So that is a big consideration of making the downsize a contribution that it could impact how

much you get from Age Pension. And it means you do need to start drawing more money out of your superannuation.

00:17:26:07 - 00:17:47:00
Jash
The last thing to consider as well is if one of the members of the spouse of the couple were to pass away, this could then in turn lead to the surviving spouse losing their Age Pension completely. If their assets levels are as a single person now are over the thresholds of what allows them to receive any Age Pension.

00:17:47:02 - 00:18:08:16
Jash
So there's definitely a lot of key considerations there. And it might be a great idea to get some further assistance and information before making a big decision, such as selling your house and buying another one. However, the downside is a contribution for those who would like to free up some of that capital from their own home and use that to live a better lifestyle in retirement.

00:18:08:18 - 00:18:12:22
Jash
This could certainly be a way that can allow them to achieve that goal.

00:18:12:24 - 00:18:34:18
Megan
Thanks for that update, Josh. So I'm going to talk to you around a transition to retirement strategy that can be really bridging that gap between our normal sort of working life, where we're really focusing on growing and contributing to our super. We're not yet spending it. And of course, in retirement, the opposite, we're no longer generally contributing and we're spending our super.

00:18:34:21 - 00:18:57:18
Megan
So transition to retirement is a strategy and also an account type that really kind of straddles that bridge between working and retired life. And it's an opportunity available from age 60, where we may be able to take further advantage of the tax concessions within super and really focus on growing and maximizing our super for our remaining working years.

00:18:57:24 - 00:19:25:04
Megan
So at age 60, upon finishing employment, we typically will have full access to superannuation. And at age 65, regardless of our work status, again, we'll have full access to superannuation. So the transition to retirement, or TTR, is something that can be utilized between age 60 and 65. If we haven't finished work and we're still working, it's going to give us partial access to superannuation.

00:19:25:04 - 00:19:55:07
Megan
Some additional rules do apply, but importantly, it's opening the window to some potential access to income that is tax free coming out of superannuation. We can use this to our advantage, along with the traditional tax concessions of those salary sacrifice contributions into super and use it a way to really boost our super for our working years. So as I said, it is an account type in of itself.

00:19:55:07 - 00:20:21:24
Megan
It does involve moving some or potentially a vast majority of our existing super balance, which for most of us is probably an accumulation account, perhaps the defined benefit account as well. We are then moving those funds

and commencing a transition to retirement income account, and this will allow us to access some income from super. That, because we are at least 60 years of age, is entirely tax free.

00:20:21:24 - 00:20:50:01
Megan
So non assessable taxable income now we're still working. We're still earning an income. We're still contributing to superannuation. And of course those contributions will still flow into our normal standard account that we've already had for many, many years. And of course the income that we receive from our employer, unlike the super income, which is tax free, our employment income is subject to our marginal tax rates.

00:20:50:02 - 00:21:11:13
Megan
So really, the way a strategy can work in this context is we are looking at maximizing salary sacrifice contributions. If we've got concessional cap space available, we're getting employer contributions as well. And these are typically taxed at a lower rate, the concessional tax rate that will often reduce our take home pay, even though it is more tax effective.

00:21:11:13 - 00:21:31:15
Megan
We're ultimately diverting some of our income into super rather than into our take home pay. But at the same time, we are now introducing this tax free income on the way out. So essentially what we're using is, in this context is a strategy to add more, because we're paying less tax overall to super than what we are pulling out via this tax frame mechanism.

00:21:31:15 - 00:21:58:17
Megan
And we're using it as a way to really turbocharge, grow and maximize our superannuation for the remaining years of our career before we enter retirement. So I'm going to really show this in a strategy that's illustrated. Somebody who is currently aged 60 earning an $80,000 annual income, current super balance of $200,000, is planning on working another seven years and planning to start retirement at age 67.

00:21:58:20 - 00:22:22:08
Megan
Really, her focus is on maximizing those contributions into super as much as she possibly can. Now that she's reached the magical age of 60 and this tax free TTR strategy becomes available to her now, we will, in some future episodes, really look at this strategy in a bit more detail, and talk about some other strategies that it could help you achieve.

00:22:22:10 - 00:22:57:19
Megan
But in this particular context, we're focusing on growing super, adding more to super. So that's what this case study illustrates. So really what we're doing is without a strategy. So if she just continued to work full time for another seven years and just make those employer contributions only, she's looking to retire with a super balance of about $300,000, which if we convert that to annualized income up until the age of 88, is looking at being able to provide her a little under $19,000 a year as annual income from super.

00:22:57:21 - 00:23:19:15
Megan
However, if we start this transition to retirement strategy now, she more than likely has sought some advice to make sure that she's getting all the nuances right. But in a nutshell, she's going to increase voluntary contributions into super via salary sacrifices as much as she can. She does need to be aware of contribution limits, which is why the advice is really helpful.

00:23:19:17 - 00:23:41:04
Megan
So putting a lot more into super and at the same time, we're pulling out tax free income from superannuation from the TTR account. The advisors crunch the numbers and ultimately more is going in that what's being pulled out. She's still taking home her normal take home wage as before she started the strategy. But what are the nuts and bolts?

00:23:41:04 - 00:24:02:12
Megan
The nuts and bolts are she retires with more. She's got almost an extra $27,000 at retirement just by starting this strategy. Okay. And she's able to get more into super. She's not starting to draw down on the capital whilst money is coming out effectively her capital is still growing because more is going in than what's coming out.

00:24:02:16 - 00:24:25:22
Megan
She retires with more, she's got more annual income, which gives her more freedom, more opportunities in retirement. And that's what these strategies are all designed to do, to try and boost your super balance as much as you possibly can. So that's how TTR can work at a guess in an individual level. If you're single or you're really your focus, even if you are part of a couple, is growing your super taking advantage of the tax concessions.

00:24:25:23 - 00:24:52:04
Megan
As I said, there are some things that we need to bear in mind. There are limits, etc. but really great opportunity. Essentially, it just becomes even more tax friendly at age 60 and we're taking advantage of those concessions. At the same time, though, if we are part of a couple and of course, many of us are, you know, it's not uncommon that there might be differences in balances between two members of a couple for a variety of reasons that we won't go into today.

00:24:52:06 - 00:25:25:12
Megan
And there can be some reasons to look at really trying to, I guess, equalize or bridge those gaps between one person's super balance and their partner's super balance for a variety of reasons. And it might be a base because if the person with the lower super balance is older and actually can access their superannuation sooner, there could be some really great advantages to hopefully getting more money into the older persons account so that money can be accessed sooner.

00:25:25:14 - 00:25:57:20
Megan
Could also be if there is a significant balance gap. There are some legislative rules around making further contributions and tax concessions and the like. And so if somebody does have quite a significant account balance, they might be getting close to some of those limits. So again what we're trying to do is reduce their balance, put it into the person with the lower balance so that we don't have to worry about those legislative impacts quite as much, or at the opposite side of the coin rather than, you know, again, age, though, is still very much coming into play.

00:25:57:22 - 00:26:25:07
Megan
But the person who's older, regardless of their super balance, that counts towards the asset test when it comes to Age Pension eligibility. So if there is an age gap and one person is already of age Pension age, all of their super counts towards the assets test. But any superannuation in the younger person's name that's still held in an accumulation or defined benefit account does not count towards the Centrelink assets age.

00:26:25:12 - 00:26:52:13
Megan
So or sorry to the assets test. So again it could be a way of rebalancing account balances so that for Centrelink purposes the asset base isn't as high because effectively the super that's held in the person that's not at Age Pension age yet is immune or not, not viewed as an asset by Centrelink for their purposes until they themselves reach Centrelink age of 67.

00:26:52:17 - 00:27:14:24
Megan
So few different reasons how that fits into you and your partner's situation. Obviously that's up to you. Seek some guidance, but in all you know, in all accounts, what it might mean is we're trying to shift or move super from one person's account to another. So this is where some strategies can come into play. And Josh has already mentioned some of this.

00:27:14:24 - 00:27:40:20
Megan
So the first concept that we have is what's known as contribution splitting. And as Josh has already mentioned, there are some age limitations there, particularly when work is sort of stopping at that older age. But this relates to the concessional, the pre-tax contributions that are being made into your account. So we're looking at the employer, the salary sacrifice, the tax deductible contributions.

00:27:41:01 - 00:28:07:02
Megan
And because they're linked to your income and your wage, initially they'll go into your account. But you do have the ability every financial year to split, transfer up to 85% of those contributions into your partner's account. So initially they go into your account, they do count towards your concessional contribution limits. So it's not opening up any additional cap space there.

00:28:07:02 - 00:28:40:07
Megan
But they're basically going there temporarily. And then you're filling in the paperwork to say, hey, I'm going to transfer that over to my spouse's account. So your balance reduces their balance increases. And this can help with that equalization measure depending on what you're trying to achieve. Now that's done based on concessional contributions each financial year. But we could also or and or in addition, depending on your circumstances, look at the strategy.

00:28:40:07 - 00:29:02:05
Megan
If you're eligible from the age of 60 as a way of achieving a similar sort of outcome, but potentially getting more than just the contribution splitting, we might be able to add a little bit more. And, you know, the premise is still simple. We're starting that TTR strategy. The income is being paid out of your super to your bank account.

00:29:02:07 - 00:29:27:16
Megan
But rather than necessarily using it as a mechanism to boost your super, the way that we looked at with that case study, instead we're using the proceeds of the income, the tax free income that we're receiving from your TTR account to contribute as a non concessional or an after tax contribution to either your account or your spouse's account.

00:29:27:18 - 00:29:58:14
Megan

And that can help achieve those rebalancing measures. Now what strategy is right for you and your partner? Very much depends on your personal circumstances. So whilst these are certainly within the rules, things that we can play around with and utilize, it is important to always look at getting that additional guidance and that help and that assistance to make sure you're dotting all the i's, crossing all the t's and really understanding the broader picture.

00:29:58:19 - 00:30:29:04
Megan
But at the end of the day, these can be helpful if your circumstances warrant it. And really, it's just about making the most of the time that we have whilst we're still employed, we're still working, we're still able to contribute. But taking advantage of the additional improvements, I suppose, or tax concessions and those extra little, you know, nice, friendly little rules that we can take advantage of as we hit those significant age milestones.

00:30:29:06 - 00:31:51:10
Megan
So lots and lots of ways to contribute. And remember, there's a lot of additional resources that you can seek to working out what is best for you and your plan. So now we're going to just throw to a quick break. And then Josh will be joining me back at the desk in the studio.

00:31:51:12 - 00:31:58:03
Josh
Thank you. Megan, for having me back at the desk alongside you. Thank you as well for your update. How are you?

00:31:58:04 - 00:32:00:21
Megan
I'm good. I'm always excited to talk about super.

00:32:00:22 - 00:32:24:18
Josh
Well, a lot of people are excited because we're actually getting a lot of questions coming through. So, you ready for me? Okay, so there was a lot that we covered off. That is new strategies that really come into effect as you age. But we're being asked some of the old questions, which I can understand. We're being asked a few times actually.

00:32:24:20 - 00:32:30:13
Josh
Can you retell us what some of the limits are that we need to consider with these contributions?

00:32:30:15 - 00:32:51:15
Megan
So getting money into super. There are two limits depending on how we contribute. Most of us we're looking and most concerned with the concessional contribution cap because these are our employer contributions. These are anything that we salary sacrifice or that we're claiming a tax deduction on. Ultimately generally only taxed at 15% as opposed to our higher marginal tax rate.

00:32:51:18 - 00:33:17:22
Megan
So the good news is that those limits did increase at the start of this financial year. So they are now 32,500 dollars. Previously it was $30,000. But of course employer contributions. And then anything that you're claiming that tax deduction or salary sacrificing is what counts in that instance. So ordinarily that limit is 32,500 dollars. Then we have what's known as the non concessional or the after tax contribution.

00:33:17:22 - 00:33:55:09

Megan
So this is money that's already been taxed at your marginal rate of tax. The ATO has already got their pound of flesh. So probably not unsurprisingly the annual limit is significantly higher. And again there was an increase for this current financial year. And that is now $130,000 in a single financial year. Now, sometimes, particularly as retirement draws nearer, we may be in that position where potentially we've sold an asset or received an inheritance because a parent has passed away, sold a business, whatever the case may be, and we've got these surplus funds that we want to put into superannuation.

00:33:55:14 - 00:34:19:23
Megan
So there is the ability, the ability to bring forward what's known for these non-concessional contributions. So normally that limits $130,000 a year. We can potentially put in up to three years contributions in one hit. Otherwise, in other words, up to $390,000. And what we're doing is we're using this year's next year's and potentially the third year's non concessional limit.

00:34:19:23 - 00:34:23:15
Megan
So we can't make further after tax contributions for that period.

00:34:23:18 - 00:34:51:10
Josh
And I think it's a very good observation actually that although those limits exist throughout your entire working life, it's actually as people approach retirement that especially that larger bring forward limit really people start to employ it that we tend to see people, as you said, come into a windfall either through inheritance or through some other consolidation of investments outside of their super.

00:34:51:10 - 00:35:17:15
Josh
So we really see those larger contribution limits starting to be used. I think when we interact with members a lot, sometimes those limits feel really big and they find them, you know, is that a strategy for the wealthy? But when you get much older in life and start thinking about really bringing some of that windfall or other assets into your super, it's where you get an understanding as to why those limits are so generous.

00:35:17:19 - 00:35:39:02
Josh
Thanks, Megan. Now, also a question coming in and I'm happy to lean in here if you'd like. But question coming in saying you talked about spouse splitting. How does that actually work in practice? So if a person does want to spouse split how did they go about that? You mentioned it. Something that you do after the end of financial year.

00:35:39:04 - 00:35:42:21
Josh
You can do that for a previous year. But what's

00:35:42:21 - 00:36:07:11
Megan
The paperwork? Paperwork's involved. So there is the spouse splitting form. And effectively what you're doing is nominating, you know, the amount that you're wanting to transfer over. So remember it's the concessional contributions effectively for the previous financial year that have gone into your super account. And you can split up to 85%. So you can choose how much of that 85% you use.

00:36:07:15 - 00:36:20:15
Megan

Now they're probably going to ask, why can they only split 85%? And the answer is the 15% concessional tax that you've already had deducted from your account when they entered in the first instance.

00:36:20:21 - 00:36:34:14
Josh
Thank you. And I think with some of those strategies you talked about, although we spoke to them in the context of approaching retirement, something like a spouse splitting strategy, you can employ much sooner. Oh.

00:36:34:16 - 00:36:47:04
Megan
100%. So if your wife is well, sorry to generalise, but if your partner is maybe working part time, raising the family, or doing things outside of paid employment, it can still be utilised even at a much younger age.

00:36:47:05 - 00:36:56:14
Josh
And that's the point I was going to make with my own spouse, with Tash, spouse splitting has been something that we've been using actually for quite some time now.

00:36:56:14 - 00:36:59:18
Megan
We do have the benefit of knowing all these rules. That's right.

00:36:59:21 - 00:37:25:24
Josh
And but I think the other benefit I'd make it or the other thought I'd give here is some of these strategies. If you think about something like a spouse split strategy, it's incremental. It you could be talking about here moving thousands of dollars, or perhaps a couple of tens of thousands of dollars a year. If you're wanting that to be impactful, it needs to be happening over time.

00:37:25:24 - 00:37:33:01
Josh
It's not a strategy that you can suddenly decide to do when you're 63 and hope that it shifts the dial. Is it it's.

00:37:33:02 - 00:37:55:07
Megan
I mean, like all things super. And that is the power of super. It is compounding. It is over many, many, many decades. And it's these small incremental what can seem sometimes quite innocuous, you know, not really substantial decisions that you're making. But if you're doing it consistently over time, the power of what that gives you at the back end is, is so important.

00:37:55:08 - 00:38:18:13
Josh
So and I think especially where you talked about, you might want to spit split to a spouse because of the balancing there being a big difference in balances. I was going to say balance in balance, but that didn't sound right. But where you are wanting to correct for that, it's actually something that you do need to do over an extended.

00:38:18:14 - 00:38:40:01
Megan
Because there's limits, you know, you can only split that particular financial year limit, which of course right now is 32,500 dollars. So yes, if you're trying to make up for a very big, you know, balance imbalance, I did the same thing. You really need to start working on that to be able to take full advantage of things, although it is never too late.

00:38:40:02 - 00:38:41:03
Megan
That's right. Too late.

00:38:41:04 - 00:39:07:13
Josh
That's right. I'm going to think now about imbalanced balances, but it makes we've got you coming back for a future episode. You're actually doing one of our expert video pieces where you're going to be talking about transition to retirement more broadly than what you have today. A question come in. About, well, what are the other reasons why I should think about a transition to retirement income?

00:39:07:13 - 00:39:23:19
Josh
Now, we talked about it today about growing contributions, and also in terms of thinking about moving it to a spouse, for example, the income from it. Why else would a person think about it, TTR and thinking about what you'll come back to?

00:39:23:20 - 00:39:42:10
Megan
Yeah. And really, I guess the name kind of gives it away. Transition to retirement. So when these rules were first introduced quite a while ago, I might say they've been around for quite some time. The it was really designed to help people that want to move from full time employment to part time employment so they're not ready to retire fully.

00:39:42:10 - 00:40:06:14
Megan
But by going part time, obviously your wage is decreasing, but they may need to still take home a full time wage. So really the intention was it was moving from full time to part time employment and just accessing part of the super to supplement that reduction in wages, transition to retirement, hence the name. So it's a it's it can be used as a boost your income kind of strategy.

00:40:06:16 - 00:40:43:15
Megan
Whether or not that's for part time arrangements as I mentioned, or potentially just gaining some access to income that you otherwise would not have access to, and that could help you achieve some other goals, potentially outside of the realms of super but paying down debt, for example, whilst you are using your super balance today in the overall context of your broader financial foundations, if you enter retirement debt free or certainly with less debt than that may still be, a benefit to you because it means the income that you do have goes further.

00:40:43:21 - 00:40:47:05
Megan
You don't need to spend as much paying down that debt in retirement.

00:40:47:07 - 00:41:13:23
Josh
Thank you. Now, certainly a lot for us to take away from today, and we can fully appreciate that. It's probably raised a couple of questions for you. So a few things that I think first before we wrap up is, as Meg talked about through throughout the session, some of these strategies, you really do need to consider getting financial advice on and comprehensive financial advice.

00:41:14:04 - 00:41:40:00

Josh
So this is something that we can help put you in touch with a comprehensive financial advisor where it's pertinent to your needs, but also where you have your own trusted financial advisor. Please do talk to them, or in fact, they may be already working with you and some of these strategies. We encourage you also, though, to really engage with your own learning to seek out more information.

00:41:40:01 - 00:42:06:04
Josh
And as we saw in a promotion earlier in this episode, we have a wonderful program called Take the Wheel, which is a great way for you to get some bite sized snippets and understanding of different strategies, including as you enter into retirement and things that you can do and take action on now. But we also encourage you, if you haven't already, to engage with our podcast series Super Insider.

00:42:06:09 - 00:42:35:14
Josh
Super insider does talk about all things investment and super, but it really does lean in and focus on some of these particular areas of retirement strategy. So if you haven't already, please listen to our podcast. Go back through the back catalogue and you might find some information that's certainly relevant to what we've been talking about today. Lastly, though, I would encourage you to ask yourself questions.

00:42:35:14 - 00:43:00:01
Josh
Hopefully it is raising new questions for you. Seek out some of that information yourself and then where you need additional guidance, please do reach out to us. On that note, though, I'd like to thank you all for being part of today. We will, in our next episode, be looking at where you should be thinking about investments as you approach, enter and are in retirement.

00:43:00:03 - 00:43:05:04
Josh
But until then, have a wonderful week and thank you very much for joining us.