Downsizing your home?

What is a downsizer contribution?

If you are 55 years old or older and meet the eligibility requirements, you may be able to make a downsizer contribution into your superannuation of up to $300,000 from the proceeds of selling your home.

This provides eligible older Australians an opportunity to contribute the sale proceeds of a former home into the tax effective environment of super where earnings are taxed at a rate of up to 15%.

How does it work?

To be eligible to make a downsizer contribution all of the following must be satisfied:

- you are aged 55 or over at the time the contribution is made (note there is no upper age limit).
- the contribution is from the proceeds of the sale of a single eligible property in Australia where the contract of sale was exchanged on or after 1 July 2018.
- the property was owned by you or your spouse for 10 years or more prior to the sale – the ownership period is generally calculated from the date of settlement of purchase to the date of settlement of sale. For couples, only one member needs to satisfy the 10 year ownership requirements to allow both to make a downsizer contribution.
- the home is in Australia and is not a caravan, houseboat or other mobile home.
- the proceeds (capital gain or loss) from the sale of the home are either fully exempt or partially exempt from capital gains tax (CGT) under the main residence exemption, or would be entitled to such an exemption if the home was purchased prior to 20 September 1985.
- the contribution is made within 90 days of settlement. An application can be made to the ATO to have this timeframe extended where a delay has been caused by factors outside of your control.
- when making the contribution you must provide your superannuation fund with the ATO's Downsizer contribution into super form.
- you have not previously made a downsizer contribution to your super from the sale of another home.
- you do not claim a tax deduction for this contribution. Despite the namesake, you are not required to actually downsize to a smaller or cheaper home. In fact, there's no legal requirement for you to purchase another residence after making this type of contribution.

Maximum downsizer contributions amount

The maximum downsizer contribution that an individual can make is the lesser of:

- $300,000 or
- proceeds received on the sale of one eligible property.

Where members of a couple wish to make downsizer contributions in respect of the same property, the total downsizer contributions made must not exceed the lesser of $600,000 or the total sale proceeds.

Members of a couple - 10 year ownership period

For couples, only one member needs to satisfy the 10 year ownership requirements to allow both to make downsizer contribution. This may arise when the property is only held in one person's name, as long as the spouse that's not the owner satisfies all the other criteria, a downsizer contribution can be made.

The 10 year ownership period test also has provisions to allow for changes in ownership between spouses to account for

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circumstances such as the death of a spouse and relationship breakdown. If your spouse who held an ownership interest dies, you can count the period of ownership of your deceased spouse, including the period the dwelling is held by the trustee of the deceased estate, towards the 10-year ownership test. This may also arise in the event of relationship breakdown.

Other important things

Your downsizer contribution will not affect your total superannuation balance until it is re-calculated to include all your contributions, including your downsizer contribution, on 30 June at the end of the financial year.

If you or your spouse is in receipt of a Centrelink means tested pension or allowance, it is important to note that the downsizer contribution is an assessable asset for Centrelink purposes and the contributed amount is subject to deeming under the income test, this is regardless whether you retain it in the accumulation phase or use the contribution to commence an account based pension. This may potentially affect your Centrelink entitlements.

Why having a retirement plan is important

It is crucial to develop a financial plan in preparation for and during retirement to get an understanding of where you are at and what steps need to be taken to put you in a better position to meeting YOUR retirement goals.

We are living longer and will spend nearly as many years in retirement as in the workforce – this requires a clear financial plan that is regularly reviewed and managed to navigate any changes in your lifestyle and give you peace of mind.

The actions are required in order for you to achieve your best retirement possible come down to factors such as whether you own your home, the value of your super and other investments, the return you earn on those investments, income from other sources and your spending patterns.

The sooner you start you planning journey, the more likely you are to achieve your best retirement possible.

If you want some help in the retirement planning process, do not hesitate to contact our office for a free initial consultation to discuss your situation.

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