# Downsizing Your Home

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# Upsize your super with downsizer contributions

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Individuals aged 65 or over are able to make additional super contributions of up to $300,000 per person from the proceeds of the sale of their home.

These are known as 'downsizer contributions' and they can be made on top of the existing contribution caps, without having to meet certain contribution rules and restrictions.

# The opportunity

The downsizer contribution rules remove some of the barriers that prevent or restrict the ability to make super contributions for older Australians.

Provided certain other conditions are met (see below) eligible people will be able to contribute up to $300,000 per person (or $600,000 per couple) from the proceeds of selling their home.

The contributions won't count towards the concessional (pre-tax) or non-concessional (after-tax) contribution caps and there is no maximum age limit. Also, the 'work test' (for people aged 67 to 74) and the 'total super balance' test won't apply.

# Key requirements

There are a number of conditions that will need to be met to be eligible to make downsizer contributions, including:

- The individual must be aged 65 or over at the time the contribution is made.
- The property must have been owned by the individual or their spouse (but not necessarily both) for at least 10 years prior to the disposal.
- The property must qualify for the main residence capital gains tax exemption in whole or part, so properties held purely for investment purposes won't qualify.
- The contribution must be made within 90 days of receiving the proceeds of sale, which is usually at the date of settlement.
- An election needs to be made to treat the contribution as a downsizer contribution.
- No tax deduction can be claimed for the contribution.

Other conditions may also apply. For more information, please visit the ATO website at **www.ato.gov.au**

# Case Study

Ben (77) and Sue (70) are retired. They sell their home after owning it for 12 years and receive $1.2 million from the sale.

They can each make a downsizer contribution of up to $300,000 (or $600,000 combined). They can do this even though Sue has not met the work test and Ben is over 75.

They can make these contributions regardless of how much they already have in their super accounts and the contributions won't count towards their non-concessional contribution caps. Also, it wouldn't matter if the house was only owned by one of them.

# Key considerations

There are some key issues that should be considered when assessing whether making downsizer contributions could be a suitable strategy, including:

- The property being sold to fund the contributions doesn't have to be the current home. It can be a former home which meets the requirements. Also, there is no requirement for a new home to be purchased.
- Once contributed, downsizer contributions will count towards the 'total super balance' which could impact capacity to make future contributions.
- Downsizer contributions can't be transferred into a tax-free 'retirement phase income stream' if the 'transfer balance cap' has been used up. The transfer balance cap is $1.6 million in 2020/21.
- If the transfer balance cap has already been used up, the contribution must remain in the 'accumulation phase' of super, where investment earnings are taxed at a maximum rate of 15%.
- Money held in the accumulation (upon reaching Age Pension age) or retirement phase of super is assessed for both social security and aged care purposes.

# Could you benefit from downsizer contributions?

If you are thinking about selling your home or have recently sold your home, we can help you decide whether making downsizer super contributions is a suitable strategy for you and also assess other options.

**Important information and disclaimer**