

● CASH OUT AND RE-CONTRIBUTE TO SUPERANNUATION

ISSUED: DECEMBER 2021
 VERSION: DECEMBER 2021

The re-contribution strategy involves withdrawing the taxable component of your superannuation and re-contributing the amount as a non concessional contribution, effectively converting your taxable component into tax-free component to make your savings more tax effective.

BENEFITS

- Your tax-free component will increase and can be withdrawn tax-free (subject to preservation rules).
- The tax-free component is also not taxable if paid as a lump sum death benefit to any of your dependents (even adult children). This can increase the amount payable to your family or estate.

HOW IT WORKS

To implement this strategy, you need to be able to withdraw from superannuation. This means you must have either met a condition of release or you need to have unrestricted non-preserved money in your account. You must also meet the eligibility criteria to contribute to superannuation.

If your superannuation fund includes both taxable and tax-free components the withdrawal needs to be proportionally drawn from both components. For example, if your tax-free component makes up 20% of your account balance prior to withdrawal, then 20% of any withdrawal must be tax-free component and 80% taxable.

If you are over age 60 there is no tax payable on either component unless you are in an unfunded superannuation scheme. If tax is payable, your superannuation fund may withhold lump sum tax from the withdrawal at the following rates:

Your Age	Tax Component	Maximum Tax Rate	
Between preservation age and age 60	Tax-free component	0%	
	Taxable component	Up to low rate cap	0%
		Above low rate cap	17%^
60 or over	All components	0%	

^Includes Medicare Levy.

The aim is to withdraw as much of your taxable component as possible, but with minimal tax and ensuring the money can be re-contributed to superannuation without exceeding caps.

If you are under age 60 (but at least at your preservation age), the re-contribution strategy is generally most effective if the taxable component included in the withdrawal does not exceed the low rate cap because this means no lump sum tax will be payable. After age 60, you can withdraw any amount tax-free.

You then need to re-contribute the withdrawn amount back into your superannuation account as a non concessional contribution.

It is important to ensure this amount does not exceed your non concessional contribution cap.

WHAT YOU NEED TO CONSIDER

- If you are under age 60, any taxable component withdrawn counts towards your assessable income and can impact your entitlement to certain tax offsets and concessions. It may also affect child support liabilities.
- If you have made personal contributions for which you wish to claim a tax deduction, you must lodge a notice of deductibility form with your superannuation fund (and wait for confirmation that they have received the notice) before requesting any withdrawal.
- The re-contribution back into your superannuation account will be preserved unless you continue to meet a condition of release.
- Tax penalties apply if you exceed the non concessional contribution cap.
- Fees may be charged for contribution. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

REFERENCES



You may wish to refer to the following websites for further information about cash out and re-contributing to superannuation:

- www.ato.gov.au
- www.moneysmart.gov.au

The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.

Hindsight Group Pty Ltd ABN 88 168 442 528
Level 4, 33 Remora Road, Hamilton QLD 4007
t 07 3852 3025
e hello@hindsightwealth.com
w www.hindsightwealth.com