"My Superfund and Centrelink said... I don't need a Financial Planner"

That was the statement made by a new client just before June 30th.

They then went on to say.... " but our accountant suggested that we should talk to you but we don't know why"

Let's first look at the statement from the client's super fund's telephone client service provider.

They are only able to give general advice related to their product but can't consider all other factors affecting a client nor taxation considerations.

Let's consider the opportunity for the clients in question who are both over 65 but still employed full time.

Their superannuation funds contained all taxable components which if passed upon death to a non-financial dependent would attract death benefit tax.

They also had a real estate asset that they proposed to sell in the future, which has capital gains attached.

Both were in a substantial tax bracket but had not reached their superannuation contribution caps for the financial year.

With only days left before the end of the financial year, we still managed to place deductible contributions to superannuation (which is now allowed for employed persons) giving them an anticipated $6000 tax refund.

Because they were both over age 65, a condition of release from superannuation had been met, so withdrawal requests for $100,000 each was lodged with their fund and recontributed to a separate superannuation, account so that the death benefit tax issue was lessened. That process will be repeated after 1/7/18 to double the tax-free components.

Discussion then centred on retirement date and the timing of the sale of the real estate asset.

That is likely to be early in the 2020 financial year but after a further tax -deductible contribution is made to superannuation to lower the marginal rate of tax on which the capital gains tax might apply in that year.

If account- based pensions are commenced at that time with the re-contributed superannuation, the superannuation pension income received will also be tax free, thus further reducing the rate at which capital gains might be charged compared to simply investing the money outside of superannuation.

Finally, an assessment was made on Centrelink pension viability and the alternate use of non-income producing assets such as the passive real estate asset.

It was demonstrated that a small part-pension was achievable after some strategy treatment.

The client's response was..." Now we know why our accountant sent us to see you! "

The lesson from this is that the biased view and limited knowledge of a superannuation fund telephone client service consultant who hides behind their general advice warning, does not consider the total circumstances nor opportunities to improve the client's position.

Centrelink staff are also limited in what they can inform and advise on.

The interaction of the client's accountant and in my case, a financial planner, made a substantial difference to the client's welfare.

It improved their position and clearly demonstrated the value of timely and professional advice.

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