

smart self-managed super fund strategy # 2: pensions- accessing australia's tax haven



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I love the phrase "tax haven". It makes me think of offshore bank accounts, the Bahamas and Lleyton & Bec Hewitt. "Lleyton and Bec?" You ask. Well you may not be aware, but the Hewitt family took up residence in the Bahamas in 2009. His manager reported that it was purely to cut down travel time, but when you consider that there is no income or capital gains tax in the Bahamas, one does wonder.

If you are over the age of 60 (and even 55 for some seriously good tax savings), there is no longer any need to move half way across the world, instead you can access Australia's very own tax haven- superannuation pensions.

In 2007 with the introduction of "Better Super", the Howard Government introduced **tax-free pensions and lump sum payments** from your super once you reached the magical age of 60. Add this to the fact that there is no tax on any earnings (income or capital gains) inside a pension fund and the tax haven picture suddenly becomes clear.

Let's explore what the opportunities are for self-managed super funds (SMSFs):

If you consider the growth assets that you have in your SMSF accumulation account (shares, gold bullion and maybe a property), over time the values may have grown. If you were to sell them while still in accumulation stage, you would have to pay capital gains tax. Admittedly, because of Australia's fantastic super system, you would only pay a maximum of 15% (10% if you have held the asset for more than one year). If you are over the age of 55, however, and commenced a pension first, you can sell the asset after your pension has started and your capital gains tax bill will be \$0! This could be a substantial savings, particularly if we are talking about a large asset like a property which has been in your fund for a long period of time.

Other opportunities to consider for your SMSF pension:

- If you are over the age of 55 and still working, would a transition to retirement pension help you grow your overall retirement benefits? (We will explore these in detail in the next issue of Business Matters).
- Have you maximised the tax free status of your pension?

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- Should your pension be set up as reversionary to your spouse? This way your assets can stay in the tax effective structure after you pass on. (Watch this space for our SMSF Smart Strategy # 4: Estate Planning)
- Should you have a reserve set up for investment earnings, additional death benefit payments or even to pay your pension payments? (Watch this space for our SMSF Smart Strategy # 5: Reserves)

Overall, pensions offer amazing opportunities to provide you with a tax-free income, to further grow your retirement benefits and to pass income down to future generations. Once they are set up, you can sit back, relax and dream about your own slice of the Bahamas. **B**

How SUPER is your Self Managed Super Fund?



Make the most out of your SMSF, talk to
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