Don't roll the dice, Get advice!

Prepare for Life

Spring 2025

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Your future just got a super boost – are you ready?

With the new financial year comes a fresh wave of superannuation changes that could make a real difference to your retirement savings.

Let's unpack what's changing – and how to make the most of it.

The SG rate hits 12%

One obvious lift to retirement incomes is the increase in the Super Guarantee (SG) rate from 11.5 per cent to 12 per cent. That means more going into your super account.

Your employer must now pay 12 per cent of your ordinary time earnings into your chosen super account. So, it's a good idea to check your first payslips for the new financial year to make sure the changed rate is applied.

If you have a salary sacrifice arrangement, note that the SG calculation applies to your total salary, as if the arrangement was not in place.

For a quick update on what the change will look like for your super balance, check the MoneySmart calculator.

More for retirement phase

Beyond your regular contributions, the amount of super that can be transferred into the retirement phase – known as the general transfer balance cap (TBC) – has increased from $1.9 million to $2 million from 1 July 2025.[i]

If you exceed the cap, you'll need to transfer the excess back to your accumulation account or withdraw it as a lump sum – plus, you may pay tax on the earnings.

If you've already started a retirement income stream, you'll have a personal TBC – your own individual limit, which may be less than the general TBC. Your personal cap is based on the general cap at that time you started, adjusted for how much you've used and any indexation you're entitled to.[ii]

For example, if you started a pension with $2 million on 1 July 2025, you've used your entire cap. The cap doesn't limit the amount you can hold in super. If you have more than the cap available, the remainder can be left in your super fund's accumulation account.

You can check your cap in ATO online services, which records all the debits and credits that make up your balance.

Special rules apply for defined benefit income streams.

More qualify for after-tax contributions

The change in the general TBC to $2 million may also allow you to increase non-concessional (after-tax) contributions using the bring-forward rule. While the $120,000 annual limit on non-concessional contributions hasn't changed, eligibility for using the bring-forward rule now applies to those with a total superannuation balance below $1,880,000. A non-concessional contribution of up to $120,000 may be made by those with a total superannuation balance of between $1,880,000 and $2,000,000.

The rule allows you to bring forward the equivalent of one or two years of your annual non-concessional contributions cap ($120,000), allowing you to make contributions two or three times more than the annual cap.

No change to contribution caps

While more investors may now be eligible to access the bring-forward rule, the caps on both concessional (before tax) and non-concessional contributions haven't changed.

The tax paid on contributions depends on whether you're paying from before-tax or after-tax incomes, you exceed the contribution caps, or you're a high income earner.[iii]

The concessional contributions cap is $30,000 and if you have unused cap amounts from previous years, you may be able to carry them forward to increase your contribution in later years. You can make up to $120,000 in non-concessional contributions each financial year and you may be eligible for the bring-forward rule allowing up to $360,000 in one contribution.

Not sure how the rules affect you? Talk to us today about how to stay ahead and make the most of your retirement savings plan.

Awaiting the new $3m tax

The proposed new tax on earnings above $3 million in super accounts, known as the Division 296 tax, lapsed when the May 2025 Federal Election was called. Nonetheless, it is expected to be reintroduced at some point.

The new tax doubles the tax rate from 15 per cent to 30 per cent for earnings on balances that exceed $3 million.

An earnings loss in a financial year, can be carried forward to reduce the tax liability in future years.

i https://www.ato.gov.au/tax-rates-and-codes/key-superannuation-rates-and-thresholds/transfer-balance-cap

ii https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/retirement-withdrawal-lump-sum-or-income-stream/calculating-your-personal-transfer-balance-cap

iii https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/growing-and-keeping-track-of-your-super/caps-limits-and-tax-on-super-contributions/understanding-concessional-and-non-concessional-contributions

Legacy or liability?

Planning a smooth wealth transfer

Australians inherited an estimated $150 billion in 2024, an increase of more than 70 per cent in a decade, according to a JBWere report.[i]

It's a number that's predicted to grow more rapidly over the coming 20 years to $5.4 trillion, the report finds.

Managing this flow of wealth to family groups, often complicated by divorce and remarriage as well as children from previous marriages, can lead to disputes and legal challenges if not carefully handled.

Legal firms agree that the number of challenges to wills has been increasing each year with adult children most likely to take action. One firm estimates more than 60 per cent of claims are brought by adult children and around 20 per cent by partners or ex-partners.[ii]

Yet, many still do not have wills.

In the latest research available, the Australian Law Reform Commission found that almost 40 per cent of adult Australians did not have a will although, this figure declined to 7 per cent for those older over 70.[iii]

If you die intestate in Australia, your estate is distributed according to state and territory laws, and the laws vary slightly between each state and territory. Generally, the estate goes to the next of kin starting with the surviving spouse or partner

followed by children, parents, siblings and then other relatives. If no relatives can be found, the estate may go to the government.

So, if it is important to you to have a say in how your assets will be distributed, a will is a must.

Meanwhile, for those in a new partnership but have children from a previous marriage, a binding financial agreement can be a useful way of protecting your partner's interests if something happens to you.

It's a legally enforceable contract that details how assets, liabilities and responsibilities will be divided if you separate, divorce or one partner dies.

Designing your transfer of wealth

Distributing your wealth now or later can depend on the family dynamics, any businesses you may own and whether you have a passion for creating a legacy – donating to a charity, for example. Alternatively, you may prefer to spend it on yourself and your partner to enjoy your later years.

The housing crisis and the emergence of the 'bank of mum and dad' has increasingly seen wealth transfer happening while the benefactor is still alive. You may wish to help your children or grandchildren to get a foot onto the property ladder, contribute to their superannuation, or pay their school fees or student loans. But it's crucial to obtain professional advice to understand any consequences of giving lump sums, particularly those receiving government entitlements, as they could potentially be impacted.

Another alternative is testamentary trust. This is commonly used to provide financial security for beneficiaries, such as family members or loved ones. It is used to manage and distribute assets according to specific instructions laid out in the will.

It can be specifically written and incorporated in your will and takes effect when you pass away. It is administered by a trustee, who you would also name in your will. The trustee would take legal control over the trust assets and is responsible for the management and distribution of the assets to the beneficiaries, based on the instructions in the trust.

This strategy could also potentially minimise any tax liabilities. However, there are a lot of things you need to consider when deciding whether or not a testamentary trust is right for you.

Some might prefer to establish or contribute to a charitable foundation as a way of building a family legacy. It's a move that allows you to have some say over how your hard-earned wealth is distributed and could involve family members to allow them to build knowledge and experience in philanthropy.

Most importantly, creating a family legacy relies primarily on the strength of family relationships. Any disputes will more than likely be magnified after a death and some relationships may be strained, so it may be helpful to discuss your intentions with family members and any other beneficiaries. Be clear about your plans and don't ignore negative reactions.

Getting your affairs in order

After all, wealth transfer isn't just about finances – it's about securing family harmony and ensuring your legacy is preserved according to your wishes. Taking the time to plan, communicate openly with loved ones, and seek professional guidance can make all the difference.

i https://www.jbwere.com.au/campaigns/bequest-report

ii https://solomonhollettlawyers.com.au/news/the-rise-and-rise-of-inheritance-claims/

iii https://www.alrc.gov.au/publication/elder-abuse-a-national-legal-response-alrc-report-131/8-wills/

Time to clear out your digital cobwebs

Spring cleaning isn't just for closets.

We're used to tackling physical mess. We clear out closets, sort through garages, and sometimes even face that overflowing junk drawer in the kitchen. But there's another kind of clutter we often ignore - the kind that lives on our devices, in our inboxes, and across the dozens of apps and platforms we use every day.

Our digital lives can become chaotic without us even realising it. Old files pile up, passwords go unchanged, unused apps stake up digital space, and outdated accounts hang around long after we've forgotten them.

Cleaning up your digital life isn't just about tidiness. It's about taking back control, reducing stress, and protecting your personal information. A little effort can help you make the most of the technology you rely on every day.

Start with the inbox

Email is one of the easiest places for clutter to grow unnoticed. Between unread messages, endless subscriptions, and decades of digital dust, many of us feel buried in content before we even open our inbox.

Start by archiving or deleting messages you no longer need. Use the search function to batch-delete emails from certain senders, especially those you no longer want to hear from. Unsubscribe from newsletters or promotional emails you tend to ignore and consider setting up filters to automatically sort messages into folders moving forward.

Even if you only clean up a few hundred emails, you'll immediately feel a sense of relief. A tidier inbox helps you spot what's actually important and reduces the mental load of "dealing with it later".

Declutter your devices

Next, look at your phone and computer. These devices often become digital dumping grounds. Photos, documents, apps, and downloads accumulate over time and can start to feel overwhelming.

Begin by deleting apps you haven't used in the last three to six months. If you're not sure about something, check when it was last opened. Move photos and videos to cloud storage or an external drive to free up space. Organise documents into clearly labelled folders and delete duplicates or outdated versions.

Some parts of digital clutter are less visible but still worth clearing. Take a moment to empty your downloads folder, clear your browser cache, and remove temporary files. These forgotten corners of your devices can quietly slow things down and make everything feel more chaotic.

Audit old accounts

Over the years, you've probably signed up for countless shopping websites and other services, many of which you've long forgotten. These inactive accounts can pose security risks, especially if they're linked to old or weak passwords.

Use a password manager to help identify and organise your accounts. Close the ones you no longer use and update the passwords for those you still need. Closing unused accounts limits the number of places your data is stored, which reduces your exposure in the event of a data breach.

This step may take a little time, but it's one of the most powerful ways to protect your digital footprint.

Check your digital security

While you're auditing, take time to strengthen your online security. Start with your most important accounts – like email, banking, and cloud storage – and make sure each one uses a strong, unique password.

Enable two-factor authentication where possible. This extra layer of protection only takes a few minutes to set up and can make a big difference in keeping your accounts secure.

Finally, don't forget to check for software updates on all your devices. These often include important security patches, so keeping your system up to date is one of the easiest ways to stay protected.

Refresh your social media

Social media can be a powerful tool, but only if it reflects who you are now. If your feed feels stale or overwhelming, take a few minutes to clean it up.

Unfollow or mute accounts that no longer resonate with you. Curate your feed so that it reflects your current interests, values, and goals. This simple step can turn mindless scrolling, or doomscrolling, into a more positive, inspiring experience.

Digital spring cleaning is not about perfection. It's about creating a digital environment that supports how you live and work right now. If this all sounds a little intimidating just take it one step at a time. Wherever you begin, the most important thing is to begin.

We hope you enjoyed our quarterly newsletter Prepare for Life.

Please contact our office if you would like to discuss anything in this edition.

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The super trap that could cost your family thousands: Why your best intentions might backfire

Disclaimer: The information in this article is general in nature and doesn't consider your personal circumstances. Always seek professional financial and legal advice before making decisions about superannuation and estate planning. Rules may change; this is current as of August 2025.

When "Margaret" from Brisbane carefully filled out her superannuation beneficiary form, she thought she was doing the right thing for her family.

She nominated her elderly parents and her brother as beneficiaries, believing her $450,000 super balance would provide them with much-needed financial security after her passing. What she didn't realise was that she'd just triggered a little-known rule that could see her family slugged with a tax bill of up to $140,000.

This example illustrates a frustrating reality facing millions of Australians: nearly half of Australian super members haven't nominated a beneficiary, but even those who have might be in for a nasty surprise. The superannuation system's beneficiary rules are riddled with restrictions that catch even well-meaning families off guard, potentially costing them tens of thousands of dollars in unnecessary tax.

The Rule That Stumps Most Australians

Australia's superannuation laws are clear about who you can and cannot directly nominate to receive your retirement savings. While you might assume you can leave your super to anyone you choose—just like other assets in your will—the reality is far more restrictive.

You can only directly nominate three groups as superannuation beneficiaries:

- Your spouse or de facto partner
- Your children (of any age)
- Someone with whom you have an interdependency relationship

This means siblings, parents, grandchildren, nieces, nephews, and friends are all off-limits for direct nominations—unless they meet the strict criteria for an interdependency relationship.

> ‘In many cases, if an invalid nomination is made, the super fund will simply accept it as a non-binding nomination without providing any warning or follow-up.’
>
> **— Hannah Elliott, Stellar Wealth (Yahoo Finance interview)**

This creates a dangerous situation where your carefully planned nomination might be worthless, leaving trustees to decide where your money goes—and potentially creating delays and disputes among family members.

Who Can’t Receive Your Super Directly

- Parents (unless interdependency relationship exists)
- Siblings (unless interdependency relationship exists)
- Grandchildren
- Nieces and nephews
- Friends
- Charities
- Anyone not classified as a ‘dependant’ under super law

The Interdependency Relationship: Not What You Think

The concept of an “interdependency relationship” sounds like it might provide a loophole for those wanting to leave super to parents or siblings. However, recent private ATO rulings since 2024 have mostly failed to demonstrate that interdependency relationships exist between parents and adult children, making this avenue increasingly difficult to navigate. Each case depends on specific facts and circumstances.

To establish an interdependency relationship, all four of these criteria must be met:

- You have a close personal relationship
- You live together
- One or both of you provides financial support to the other
- One or both of you provides domestic support and personal care

These requirements must exist at the date of death, and all four elements must be satisfied (with limited exceptions involving disability or special circumstances).

The Tax Penalty That Hits Hard

When your super ends up going to non-dependants—whether through invalid nominations or trustee decisions—the tax consequences can be severe. The taxable component of a death benefit paid to a non-dependent is subject to tax at 15% plus the 2% Medicare levy on the taxed element, and 30% plus the 2% Medicare levy on any untaxed element. The tax-free component is always received tax-free.

Example Scenario

Sarah, 58, has $600,000 in superannuation when she passes away unexpectedly. Her super consists of 70% taxable component ($420,000) and 30% tax-free component ($180,000). She nominates her brother James.

- Because James is not a dependant under tax law:
- Tax-free component: $180,000 (received tax-free)
- Taxable component: $420,000 × 17% = $71,400 tax
- James receives $528,600 instead of $600,000
- If Sarah had nominated her spouse, the entire $600,000 would have been received tax-free.

Understanding Your Nomination Options

The type of nomination you make significantly impacts how your super is distributed and taxed:

Binding nominations

- Must nominate only valid dependants or your legal personal representative
- Requires two independent adult witnesses
- Usually expires every three years (some funds now allow non-lapsing nominations)
- Trustees must follow if valid

Non-binding nominations

- Easier to complete—no witnesses needed
- Can nominate anyone (including non-dependants)
- Trustees use discretion and may not follow your wishes

Reversionary nominations

- Apply only to pension accounts
- Available for spouses or certain dependent children
- Allow payments to continue until balance reaches zero

The Workarounds That Actually Work

1. Legal Personal Representative Route

Nominate your legal personal representative (executor). This lets your will decide who receives your super, but non-dependants may still face 17-32% tax.

2. Withdrawal and Re-contribution

If you're over 60 and can access your super, you can withdraw and re-contribute funds as after-tax contributions. This converts taxable components into tax-free. With the transfer balance cap now at $2 million (2025-26), this is powerful for larger balances.

3. Strategic Spending and Investment

Use super first in retirement and preserve other assets (which transfer tax-free) for your intended beneficiaries. This way, you enjoy the tax advantages of super during your lifetime, while leaving assets outside super (like property or shares held personally) to flow through your estate without super's restrictive rules.

Important Legal Considerations

Ensure your will is current and properly executed

Consider the impact on your age pension eligibility

Understand contribution caps and eligibility rules before re-contributing

Factor in life expectancy, retirement spending, and healthcare needs

Always seek professional legal and financial advice

Common Mistakes That Cost Families

Mistake 1: Set-and-Forget Mentality

Many people make a beneficiary nomination once and never review it. But marriages, divorces, births, or changing relationships mean a 20-year-old nomination could no longer match your wishes.

Mistake 2: Assuming Living Together Equals Dependence

Just because you live with your parents or children doesn't automatically meet the ATO's strict definition of an interdependency relationship. More than "sharing a roof" is required.

Mistake 3: Ignoring Tax Implications

Even valid nominations can sting. A spouse may receive super tax-free, but adult children—if financially independent—will face tax rates of up to 32% on the taxable portion.

Mistake 4: Overlooking Fund-Specific Rules

Not all funds offer binding nominations, and some impose unique rules about lapsing or witnessing. Always confirm the requirements with your specific super fund.

Taking Action: Your Next Steps

Immediate Actions (This Week)

1. Check your most recent super statement and confirm who your nominated beneficiaries are

2. Call your super fund to check if your nomination is binding, non-binding, or expired

Consider whether your current nominees are still valid and appropriate

Short-term Actions (Next Month)

1. Update any invalid or outdated nominations

2. Decide whether binding or non-binding nominations suit your situation

3. Ensure your will is current and considers superannuation

4. Estimate potential tax impacts for each beneficiary

Long-term Planning (Next Three Months)

1. Develop a full estate plan integrating super and non-super assets
2. Consider withdrawal/re-contribution strategies if over 60
3. Review your nominations after every major life event
4. Document your intentions clearly for family clarity

The Bottom Line for Australian Seniors

The superannuation beneficiary rules exist to ensure retirement savings support dependants—but in practice, they often create traps for families who don't know the system. Nearly half of Australians still have no nominated beneficiaries, and many others unknowingly have invalid or lapsed nominations.

Unlike other assets, super doesn't automatically pass under your will. If you want to make sure your retirement savings end up with the right people, you need to: review your nominations regularly, understand the tax rules, and seek professional advice. With proper planning, you can reduce tax leakage and ensure your loved ones benefit as you intended.

Don't let good intentions create bad outcomes for your family. Take the time to understand these rules, review your nominations regularly, and seek professional advice when needed. Your loved ones will thank you for it.

Final Checklist for Protecting Your Super

Don't assume your will covers your super—check your fund rules

Review your beneficiaries every 1-3 years and after major life events

Understand that non-dependants may face up to 32% tax

Use strategies like LPR nominations or recontribution to reduce tax

Professional financial and legal advice is essential

Engbino, M (2025, August 19) The super trap that could cost your family thousands: Why your best intentions might backfire | Seniors Discount Club