



Agenda #INC2019 

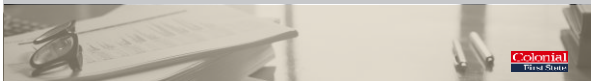
01
Recap


02
Existing death benefits


03
On member's death/disability

04
Future death benefit planning


Case studies






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Death benefit rules #INC2019 

 **Cashing rules**

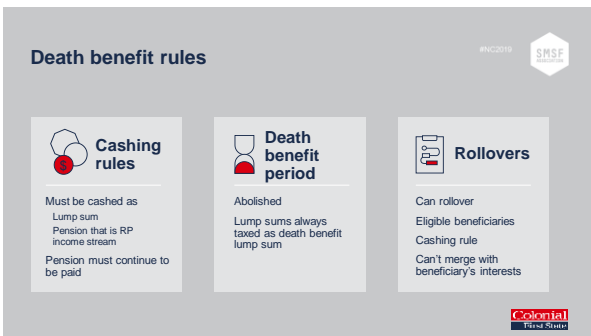
- Must be cashed as Lump sum
- Pension that is RP income stream
- Pension must continue to be paid


 **Death benefit period**

- Abolished
- Lump sums always taxed as death benefit lump sum

 **Rollovers**

- Can rollover
- Eligible beneficiaries
- Cashing rule
- Can't merge with beneficiary's interests





TBC & death benefits

Transfer Balance Cap

#NC2019 SMSF

Relevant TBA events

- Existing death benefit income stream at 30 June 17
- Commence new death benefit income stream after 30 June 17
- Revert existing income stream

Credit value

- Market value at 30 June 17 / Special value
- Market value at start date
- Market value date of death* - credit 12 months later

17th June 2017 7:00am to 2019/17

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Agenda

#NC2019 SMSF

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17th June 2017 7:00am to 2019/17

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Carol

#NC2019 SMSF

45 Years old

Situation

J Inr died 3 years ago

\$1M death benefit income stream from SMSF

Value at 30 June 17 \$1M

Works part-time \$95K (39%)
Has two young children

Drawing \$55K from ABP to pay living costs shortfall \$13,200 tax

Wants out of SMSF!

What could Carol do?

17th June 2017 7:00am to 2019/17

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Carol #NC2019 SMSF



What could Carol do?

- Commutate and rollover to large fund**
TBA: Debit (\$1M)/
Credit \$1M
- Start ABP in large fund**
Draw minimum/additional
\$15K tax free lump sums
Tax reduced to \$9,600/
TBA reduced by \$15K/yr
- Paper work**

Beware potential tax trap!

45 Years Old

© Australian Superannuation 30 June 2017 update

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Agenda #NC2019 SMSF


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Joe and Rosie #NC2019 SMSF

Started ABPs in their SMSF 5 years ago

Joe dies on 1 Jan 2019

ABP \$1.5m

ABP \$1.4m

What are Rosie's options in relation to Joe's ABP?

- Rosie's TBA value?**
30 June 2017 value
less total debits?
Is TBA value correct?
Who calculates?
- If TBA will exceed TBC:**
Cash out all part
Joe's ABP
Roll part of Rosie's
ABP to accrue
- Timing - is pension
reversionary?**

Minimum (monthly) + ad-hoc lump sums

Minimum (quarterly) + ad-hoc lump sums

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Rosie #INC2019 SMSF

ABP \$1.5m Reversionary

ABP \$1.4m

Accum. \$1.4m

Rosie retains Joe's reversionary pension and transfers her own pension (\$1.4M¹) to accumulation phase on 31 December 2019

The SMSF owns a property with large unrealised gains that she wants to sell

By when should she sell the property?

A. By 30 June 2019

B. Anytime before 31 Dec 2019

C. It makes no difference

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Rosie #INC2019 SMSF

ABP \$1.5m Reversionary

Accum. \$1.4m

Rosie's TSB > \$1.6m on 30 June
Must use unsegregated method 2019-20

A. If sold by 30 June 2019, 100% of gains exempt

B. If sold between 1 July and 31 Dec 2020
ECPI = 76%¹
24% of discounted gain assessable

What if Joe's pension non-reversionary?

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Rosie #INC2019 SMSF

ABP \$1.5m Reversionary

75% of Min.

Accum. \$1.4m

In July 2020 it is discovered Rosie's fund failed to pay the final quarterly pension payment from her ABP for the 2019-20 year

What are the consequences for the fund and Rosie?

<p>Pension standards not satisfied</p> <p>Pension ceased on 1 July 2019</p> <p>TBA debit event occurs on 30 June 2020</p>	<p>Death benefit cashing rules not satisfied</p> <p>Retirement phase income stream or lump sum</p> <p>Lump sum required???</p>	<p>Amount / Reason?</p> <p>Can trustee exercise ATO powers of administration</p>
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Marilyn #NC2019 

\$1m
Accum.
SMSF

\$2m
Life & TPD
Insurance


Marilyn was recently involved in a serious car accident and is now permanently incapacitated

She commenced an ABP for \$1M prior to SMSF receiving insurance proceeds

How much of the \$2M insurance proceeds could be allocated to Marilyn's ABP?

ABP not increased by contribution or rollover
Allocation of insurance proceeds not a TBC credit
Premiums drawn from accumulation – proceeds must go to accumulation



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Robbie and Ethel #NC2019 

How could Robbie and Ethel be better set up from TBC perspective?


Withdraw \$300K from accum and retribute to Ethel - start 2nd ABP for Ethel

Commute \$300K from pension and retribute to Ethel - start 2nd ABP for both Robbie and Ethel

ABP \$1.6m
100% taxable
Reverts to Ethel

ABP \$400k
100% tax Free
Reverts to Robbie

Accum. \$300k
100% tax free



62 years old 61 years old

Assume account balance = TBA value

