

Downsizer Contributions

In August 2020 the ATO confirmed that a part disposal of a home for downsizer contributions can extend to DomaCom's Senior Equity Release product.

SMSF retirees can therefore sell a part of their home to top up their super under the Downsizer Contributions legislation *

*<https://www.ato.gov.au/Individuals/Super/Growing-your-super/Adding-to-your-super/Downsizing-contributions-into-superannuation/>

The ability to contribute part of the proceeds of downsizing home equity into superannuation was one of several measures announced in the 2017-2018 Budget to reduce pressure on housing affordability in Australia.

Since 1 July 2018, eligible people aged 65 or over have been able to make a downsizer contribution into their superannuation of up to A\$300,000 per spouse from the proceeds of selling their home. A downsizer contribution is not subject to the usual concessional or non-concessional contribution caps and therefore they can still be made when the member's balance exceeds \$1.6 million.

Whilst 5,000 retirees used this facility in the first year, research indicates that a large proportion of retirees would prefer to access the downsizer provisions but stay in their homes.

The confirmation received by DomaCom for the Seniors Equity Release product, specifically the ATO's "[Administrative Binding Advice](#)" (ABA) ensures that a part disposal of a Senior's home can be made using DomaCom's Senior Equity Release to make a downsizer contribution.

Prior to this ATO confirmation it was generally considered that a person had to sell or dispose their entire interest in their home to be eligible to make a downsizer contribution. However, the ATO confirmation on a part disposal now means that SMSF retirees can sell a part interest in their home and make a downsizer contribution therefore also allowing them to stay in their home.

While a residential property cannot be sold to an SMSF, a part interest of a home can be sold to DomaCom's Senior Equity Release platform which provides cash to the member that they are eligible to contribute to an SMSF, retail or industry superannuation fund.

The COVID-19 pandemic has greatly increased pressure on retirees who are seeing their retirement incomes substantially decreased due to the significant reduction in investment returns especially substantially lower interest and dividend yields.

The self-funded retiree cohort has not benefited from many recent government assistance programmes including the JobKeeper and JobSeeker, so allowing them to top up their SMSF using their own resources is one measure that can be delivered without impacting the Budget. In fact, the DomaCom Senior Equity Release should benefit the community as it can increase retirement incomes which can increase spending.

The ability for retirees to help themselves by modifying their personal balance sheets and moving some of their financial resources tied up in their home to their super will enable them to enjoy a better retirement.

For investors, DomaCom's Senior Equity Release delivers 3% income plus capital growth and may suit SMSF's in accumulation mode as well as institutions seeking reliable long-term income and growth with no tenancy risk.

Whilst appropriate financial and investment advice should always be obtained it is an ASIC requirement that Seniors considering the DomaCom Senior Equity Release speak to a licensed financial adviser who is accredited by DomaCom to advise on the Senior Equity Release product.

Seniors and investors can get further information on Senior Equity Release (SER) at <https://domacom.com.au/how-to-invest-with-domacom/senior-equity-release/> and access the SER calculator.