SMART MONEY

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YOUR QUESTIONS JOHN WASILIEV

Some super advice for these uncertain times

My question is about off-market transfers of shares to my self-managed super fund. I have used this strategy to sell personal holdings of quality shares that have dipped in value but are virtually certain to recover and continue to grow in value. Some time back, the account manager of the firm that administers my fund advised me I could use a closing price up to 60 days before the date I mail the off-market transfer. If this is true, that would allow the selection of the most favourable price over the previous 60 days. However, I have never found any documented confirmation of this claim. Can you help?

The transfer date that applies to any sale of shares to your super fund is the date the agreement is made between you and your fund to transfer the shares, Ed Bernard of DIY super administrator SuperGuardian says.

When you complete the off-market transfer form, you must state the full amount paid for the shares (the consideration) and the transfer date. The standard procedure is to use closing or last prices quoted in daily newspapers on the transfer date. If the agreement to transfer is made during the trading day, the market price used should be between the opening and closing daily quoted prices, whereas if the agreement is made after trading ceases – at night or on the weekend – then the most recent closing market price would be appropriate.

As well as the transfer date, the form must be separately signed and dated by the seller (you) and the buyer (your fund). The transfer form requires this date to be the same as or after the date of purchase. This means you can formally decide to transfer the shares and subsequently prepare the off-market transfer form in the days after the decision. There should be evidence of this in a letter from you to the trustees of the fund stating you will be executing the transfer. Correspondingly, a trustee minute should be prepared to acknowledge receipt of the letter, and approve the transfer of shares and the market value of the shares to be used. Although it may be administratively possible, the backdating of documents to obtain a tax advantage is not recommended and this practice – especially a period of 60 days – would be seriously frowned on by the ATO.

ASK US

It is critical to get your superannuation right. Many readers send us questions about retirement saving and more are welcome. We seek expert advice where necessary to help make sense of it all. Send any query, big or small to:
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I am 55 and still working, and before the latest market turmoil was thinking about boosting my salary-sacrifice contributions to super. Since then I have been looking at my $100,000 mortgage. Why wouldn't I – in these uncertain times – draw down this amount from one of my super fund accounts where I have money invested in a cash option that won't realise capital losses. I could then use this money to pay off the house. I probably will still get around to a salary sacrifice strategy at a later time. Is it a worthwhile strategy?

Your proposal raises two issues: your scope to access your super and the possible effect on your retirement savings. Most financial advisers would caution you that not pursuing a salary-sacrifice strategy while you can is likely to detract from your final retirement benefit, Janet Manzanero, a senior technical analyst with Westpac Financial Planning, points out.

That said, your potential to access your super while you are working will firstly depend on whether any of your savings are classified as being unrestricted non-preserved benefits. These are benefits – usually from previous employment some time ago – that have managed to escape the preservation rules and have always been available to you.

They are more attractive for someone who is 55 because you can withdraw up to $145,000 tax-free. If you don't have such benefits you could consider starting a transition to retirement pension, available to anyone with super who is over 55.

These special super income streams allow you to withdraw a maximum 10 per cent a year of the super savings from which the pension is paid.

You could combine such a pension with a salary sacrifice strategy. The income amounts can be used as additional loan repayments to accelerate the repayment of your mortgage or replace salary you have sacrificed. The tax treatment of this income will depend on the tax components of your super.

If there is a large tax-free proportion because you have made sizeable after tax contributions to super, that proportion of your pension will be tax-free.

As you are under age 60, the taxable proportion of the pension will be included in your assessable income. However, a 15 per cent tax offset (15 per cent of the taxable portion) will be available to reduce your tax liability.

Finally, it is worth stating that the market downturn should not take your focus away from a long-term retirement savings strategy.

While financial markets look gloomy at present, the tax savings associated with salary sacrifice to super, especially if you are paying tax on salary above 41.5 per cent, will very likely boost the growth of your super savings once financial markets recover.

Also, after age 60, any pension withdrawals will be tax-free.