


TAG Online Superannuation Seminar 2020



Online SMSF Masterclass 2020
Multi Generational Planning

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 Partner

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Disclaimer

The information contained in this presentation is general in nature only and should not be acted on without first seeking professional advice.

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Exclusive Resources and More!



Online Resource Kit

- Session Resources – video links, presentations, case studies
- Q&A Session Resources – live webinar links, session recordings
- Resource Kit – audit kit, pensions, deeds, ready reckoner





Live Q&A
Fri 16 October, 12pm

Send your questions to super@tagfinancial.com.au

Live Q&A Recording will be available after the session

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Multi-Generational Planning

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Towns Family Trust	Karl (62) & Marion (60)	KM Towns Superannuation Fund	Towns Investment Trust
Business "Outa Towns" \$1,000,000	Family Home (Marion's name) \$1,700,000	Cash & Shares \$365,000	Cash term deposits & listed shares \$137,000
	Commercial Property (Marion's name) \$1,400,000 Acq. 1987 for \$160,000	Commercial Property \$950,000 (\$400k cost)	
		Bentleigh Residential Property \$600,000 (\$350k cost)	
		Clifton Hill Residential Property \$800,000 (\$600k cost)	

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Pensions

- Previously has 3 TRIS's each
- Stopped these at 1/7/2017 as no longer any tax benefit

Member	Taxable	Tax-free	Total
Karl (62)	\$950,000	\$450,000	\$1,400,000
Marion (60)	\$865,000	\$450,000	\$1,315,000

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Predicament

- Growing tension between Anthony and his brothers
- Karl and Marion want Anthony to inherit business
- Karl and Marion wanted to maintain control of business in the past
- Recently redrafted wills – equal split between 3 sons

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What do they want now?

- Karl and Marion now want to “retire”, travel the world
- Want to cede control of the business to Anthony
- Each child to be looked after equally
- Anthony to inherit the business as part of his 1/3 share of the estate

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Opportunity

- Current trust structure has 3 boys as equal successor appointors to the Trust
- Presents an issue with control of the trust/business if Karl and Marion no longer around
- Opportunity to restructure – provide Anthony with a “clean skin” entity.

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Business Restructure

- Business valuation of \$1,200,000
- Capital gain - \$1,124,000
- Apply 15-year exception concession
- Taxable Gain - \$0

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SBCGT Contribution to Super

- Not required as over 55
- Decide to for wealth accumulation
- CGT cap amount - \$1,515m (19/20)

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Have you thought about?

- What other potential strategies are available?

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SBCGT Contribution to Super


- Transfer business property as well \$1.4m – can use the SBCGT concessions here as well

	Karl	Marion
NCC used	\$200,000	\$300,000
CGT Cap	\$500,000	\$400,000
	\$1,400,000	

- CGT triggered from sale of property \$1,240,000

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Estate Planning

- Want equal split of assets between 3 sons
- Want Anthony to get business

Business	Super Fund assets		Other
Business 1.2m	Bus Prop 1.4m	Cash/Shares 365k	Family home 1.7m
	Bus Prop 950k	Res Prop (x2) 600k & 800k	Inv Trust 137k
	\$3.55m		\$3.602m

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Split of Estate

- If equal split, each son would get \$2,384,000

BUT

- Anthony business - \$3.55m
- Andrew and James - \$1.8m each

What can you do?

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Head in the Sand

- All too hard
- Decide to head overseas and deal with it later

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Benefit of Recontribution Strategy


- Add 2 children to the fund (Andrew & James)

Options:

- In-specie transfer of assets from investment trust
- Recontribute surplus for boys each year as NCC
- Make \$300,000 NCC for each of the boys now

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Benefit of Recontribution Strategy

- Decide to withdraw \$400,000 from Karl and Marion's balances
- Contribute \$200,000 each for Andrew and James
- Death tax savings - \$30,815

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Updated Position Now

Business	Super Fund assets		Other
Business 1.2m	Bus Prop 1.4m	Cash/Shares 185k	Family home 1.7m
	Bus Prop 950k	Res Prop (x2) 600k & 800k	
	\$3.55m		\$3.685m
Less	Super Fund now allocated to Andrew and James (Cash/Shares 400k)		
\$1.2m	\$3.535m		\$1.7m

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Dancing Disaster

- While taking tango lessons in South America, Karl has a stroke and dies
- Marion is paralyzed due to awkward position

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Marion's Options for Karl's Death benefit

Current Balances for Karl & Marion:


Member	Account type	Balance
Karl	Pension	\$1,620,000
Marion	Pension	\$1,640,000
Marion	Accumulation	\$250,000
James	Accumulation	\$200,000
Andrew	Accumulation	\$200,000

Options:

- Pay death benefit as lump sum
- Commute Marion's pension and take reversionary pension

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Managing Death Taxes

- Current death taxes after Karl's death benefit - \$262,808 *(if it goes to the children)*
- Current death taxes after retribution strategies (\$200k each again for Andrew and James) - \$235,253

What can be done?

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Managing Death Taxes

- In-specie transfer out of property - Stamp duty / CGT
- Transfer to Marion's own name
 - Residential Property - \$820k
 - Commercial property (rented to Anthony's business) \$1.42m
- Death tax savings - \$171,035

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Have you thought about?

- What other options is there for reducing death taxes?
- Have you considered other investments?
- Stamp duty vs CGT calculation?

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Marion Dies

- Anthony sole executor of estate
- Andrew and James are trustees of the fund
- BDBN nominates Karl to receive death benefit – not useful

Estate Assets	Super assets
Business - 1.2m	Bus Prop - 990k
Family home - 1.7m	Res Prop - 650k
Bus Prop - 1.42m	Cash - 5k
Res Prop - 820k	less acc for Andrew and James (912k)
\$ 5,140,000	\$ 733,000

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Conflict, Control & Confusion

- Anthony lays claim to business properties
- Death benefit to be paid from super
- Was never simple and most likely was never going to be equal split

What could have been done?

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Conflict, Control & Confusion

- Anthony lays claim to business properties
- Death benefit to be paid from super
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What could have been done?

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Recap - What have we learned?



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