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What is your "total superannuation balance" and why does it matter?

Recent superannuation reforms introduced a concept of "total superannuation balance", which on the surface may give the simple impression that it is the sum of the balances of a person's superannuation interests. However, this is not the case.

What is the total balance relevant for?

The total superannuation balance is relevant in determining a super fund member's eligibility for:

- making non-concessional contributions according to the non-concessional contributions cap
- receiving the government co-contribution
- the tax offset for spouse contributions
- using the segregated assets method to determine exempt current pension income (ECPI), and
- the unused concessional contributions cap carry forward (this measure comes into effect from July 1, 2018).

Broadly, the first three of the above will not be available to an individual if his or her total superannuation balance is greater than the new general transfer balance cap (set at $1.6 million for the 2017-18 financial year and indexed in $100,000 increments in line with the CPI).

The yet-to-be-initiated unused concessional contributions cap carry forward is going to be tested against a $500,000 total superannuation balance. The test time for this balance is to be set immediately before the start of the financial year in which a fund member seeks to get or access an advantage — for instance, to make a non-concessional contribution.

Contributors to the total superannuation balance

A member's total superannuation balance at a particular time is the sum of the following:

1. the accumulation phase value of superannuation interests that are not in the retirement phase
2. the balance of a transfer balance account, if there is such an account. If this balance is below zero (that is, in debit), then it is taken to be nil. Note that the transfer balance account is modified for the purposes of the total superannuation balance in cases where the member receives certain account-based income streams in the retirement phase (more below), and
3. the amount of any roll-over superannuation benefit not already reflected in the member's accumulation phase value of superannuation interests or transfer balance.

Accumulation phase value

The first component of the total superannuation balance is accumulation phase values that are not in the retirement phase. This is defined as the total amount of the superannuation benefits that would become payable if the individual voluntarily caused the interest to cease at a particular time. Additionally, regulations may specify that value or a method for determining that value.

Note that superannuation income streams that are not in the retirement phase, or which lost their retirement status due to non-compliance with a commutation authority, are included in the accumulation phase value.

An ATO guideline notes that the following are included in the accumulation phase value:

- transition to retirement income stream
- non-commutable allocated annuity
- non-commutable allocated pension.

A deferred superannuation income stream that has not yet become payable and where the taxpayer has not met a relevant condition of release is included in the accumulation phase value.

Modified transfer balance account

The second component of a member's total super balance is their transfer balance (but not less than nil). Importantly, the transfer balance account is modified if a credit has arisen in the taxpayer's transfer balance account in regards to the following account-based income streams:

- an allocated annuity/pension
- an account-based annuity/pension, or
- a market linked annuity/pension.

In determining the modified transfer balance account the value of a lump sum that can be withdrawn due to the commutation of existing pension is taken into account.

The determination of the modified transfer balance account is complex and SMSF trustees should seek assistance with this task.

Roll-overs

The third component of the total superannuation balance is the sum of any roll-over superannuation benefits that are not reflected in the member's accumulation phase value or their transfer balance. However this is usually relevant where a taxpayer requests a rollover on or close to June 30 and the roll-over is still in the process of being transferred to the new account as at the end of financial year.

Structured settlement contributions

Because structured settlement contributions arise mainly as a result of damages for personal injury, these are excluded from the calculations.

The amount of structured settlement contributions made to the individual's superannuation is disregarded in the calculation of their total superannuation balance.

Generally, this means that if an individual makes a contribution of $200,000 arising out of the structured settlement, then their total superannuation balance will not increase by $200,000.

The new reforms to the superannuation regime are complex, but it is essential to ensure continued compliance and ongoing income stream integrity. Ask for our help for any problematic areas.