



The maximum balance a superannuation member can move into the tax-free pension phase is presently \$1.6 million. This is due to a limit known as the Transfer Balance Cap (TBC). Although this limit is being indexed and set to increase to \$1.7 million from 1 July 2021, this won't apply to everyone. We explore some of the implications below.

The general TBC limits how much superannuation can be transferred from an 'accumulation account' to a 'retirement phase' income stream account over a person's lifetime. The 'retirement phase' of superannuation benefits from 0% earnings tax. Once that transfer has been made, any money held in pension mode can continue to grow (e.g. if earnings outweigh pension withdrawals).

It is worth noting that the TBC applies per superannuation member (not per superannuation fund). In addition, all individuals have their own personal TBC. A Transfer Balance Account (TBA) relative to the available cap is what determines whether you're eligible to transfer additional amounts to retirement phase pensions in the future.

From 1 July 2021, an increase of \$100,000 will apply from the current general TBC of \$1.6 million.

For those who have already commenced a retirement phase pension and utilised the full \$1.6 million limit, the underlying personal TBC remains at \$1.6 million. In other words, another \$100,000 cannot automatically be added to the pension account.

Superannuation members who have not previously commenced a retirement phase pension will benefit from the full \$100,000 indexation. For these individuals, the TBC will increase to \$1.7 million at 1 July 2021.

Lastly, for those who have commenced a retirement phase pension but have not fully utilised their cap (i.e. highest ever balance in the Transfer Balance Account between \$0 - \$1.6 million) may benefit from indexation but only on a proportional basis. The indexation applies proportionally based on the 'unused cap percentage' of the personal TBC.

Example calculating the unused cap percentage: Andrew has a retirement phase income stream which commenced on 1 January 2021 with \$800,000. His unused cap is currently \$800,000. Andrew's new personal TBC allowance after the indexation on 1 July 2021 will be \$850,000. This is calculated by summing the \$800,000 unused limit plus 50% of the \$100,000 increase.

The application of the Transfer Balance Cap comes with some complexities. Please feel free to contact your adviser if you have any queries or require further information.