

# General Transfer Balance Cap

March 2025

## General Transfer Balance Cap - Increase to \$2 million

The maximum balance a superannuation member can move into the tax-free retirement (pension) phase is presently \$1.9 million. This is due to a limit introduced in 2017 known as the Transfer Balance Cap (TBC). Indexation of the general TBC to \$2 million will occur on 1 July 2025. We explore some of the implications below.

### How the Transfer Balance Cap (TBC) operates

The general TBC limits the amount of superannuation that can be transferred from an 'accumulation account' into a 'retirement phase' income stream account over a person's lifetime. In other words, the government enforces a cap on the amount in pension phase, where investment earnings are tax free. Once that transfer has been made, any money held in pension mode can continue to grow (e.g. if earnings outweigh pension withdrawals and other costs).

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.

Stemming from recent inflation levels, an increase of \$100,000 will apply to the current general TBC of \$1.9 million from 1 July 2025. However, this new TBC won't apply to everyone.

### Opportunities associated with the new \$2 million limit

Anyone who has not previously commenced a retirement phase pension will benefit from the \$100,000 indexation. This is an important consideration as for these individuals, the TBC will increase to \$2 million at 1 July 2025.

Moving into retirement phase before 1 July 2025 would mean that, at most, pensions could be commenced with \$1.9m (i.e. the value of the TBC for the current 2024/25 year). Based on individual circumstances, an earlier commencement may still be beneficial.

In addition, 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 – \$1.9 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. ATO online services via myGov is useful in providing relevant information on a personal TBC.

If the TBC has been completely used up previously, the \$2 million threshold has no relevance for that person.

Meanwhile, as contributions caps are linked to the TBC, greater flexibility will be provided as shown in the comparison below. In other words, the ability to make non-concessional contributions (\$120,000 and bring-forward provisions) will increase next financial year compared to 2024/25.

Cap (2024/2025)	Total Super Balance (TSB) as at 30 June 2024	NCC Cap Amount
<b>Annual Cap</b>	< \$1.9 million	\$120,000
<b>Bring Forward Allowance*</b>	< \$1.66 million	\$360,000 (3 year bring-forward period)
	\$1.66m to < \$1.78 million	\$240,000 (2 year bring-forward period)
	\$1.78m to < \$1.9 million	\$120,000 (no bring-forward period)
	\$1.9 million +	\$0

Cap (2025/2026)	Total Super Balance (TSB) as at 30 June 2025	NCC Cap Amount
<b>Annual Cap</b>	< \$2 million	\$120,000
<b>Bring Forward Allowance*</b>	< \$1.76 million	\$360,000 (3 year bring-forward period)
	\$1.76m to < \$1.88 million	\$240,000 (2 year bring-forward period)
	\$1.88m to < \$2 million	\$120,000 (no bring-forward period)
	\$2 million +	\$0

\*People aged 75 years or older on 1 July cannot trigger the bring forward rule. If the individual has attained age 75, the contribution must be received by the super fund within 28 days from the end of the month in which they attain age 75.

## Conclusion

Currently \$1.9 million, from July 1 the TBC will rise to \$2 million. The increase is made available to individuals proportionately.

The application of the TBC rules comes with both opportunities and complexities. Feel free to contact your adviser should you wish to discuss how these changes affect your superannuation.

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