
Do You Understand the Impact of Superannuation Tax When You Pass Away?

Superannuation is one of the most powerful tools for building wealth in retirement. But many Australians don't realise that when they pass away, their superannuation savings may not all go directly to their loved ones. In fact, the **tax treatment of superannuation death benefits** can significantly reduce the inheritance your family receives.

The Hidden Tax Trap

When superannuation is paid to a **non-financial dependant** (for example, an adult child), the **taxable component** of your super is generally taxed at **17%** (including Medicare levy).

Let's put that into perspective:

- Imagine you pass away leaving **\$500,000** in superannuation.
- If this is left to a non-financial dependant, the tax bill could be **\$85,000**.
- That's \$85,000 less in your children's pockets—money you worked hard to save.

For many families, this comes as a shock. They assume their super is tax-free on death, but the reality is very different.

Can This Be Avoided?

The good news is that there are **strategies to reduce or even eliminate this tax burden**. If you are **retired and under age 75**, you may be able to take steps such as:

- **Withdrawals and recontributions:** Withdrawing part of your super and recontributing it as a non-taxable component can reduce the taxable portion of your balance.

- **Estate planning strategies:** Structuring your superannuation and estate plan carefully can help ensure more of your wealth passes to your loved ones.
- **Timing matters:** Acting before age 75 is critical, as contribution rules change after this age.

These strategies need to be tailored to your personal circumstances, and professional advice is essential to avoid unintended consequences.

The Takeaway

Superannuation is not automatically tax-free when passed on. Without planning, a significant portion of your hard-earned savings could be lost to tax instead of going to your family.

By taking action while you're still eligible, you can **protect your legacy and maximise the inheritance your loved ones receive.**

👉 **Speak to an Adviser at NewDay Advisory today to explore strategies that can reduce the superannuation tax burden on your family.**
