



Age 67 is the New 65

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A quite significant change is coming to superannuation from 1 July 2020.

Turning age 65 has been a milestone in Australian super for a very long time, as the age of deemed retirement aligned to the old Age Pension eligibility rules. Age 65 is the point at which members who wish to continue putting money into super need to confirm they are still active in the workforce by passing what is called the Work Test.

The work test requires a member to have been gainfully employed for at least 40 hours in a period of not more than 30 consecutive days in the financial year. Gainful employment includes employment or self-employment but does not include voluntary or charity work. This work test must be met before the contribution is made and may include work undertaken anywhere in the world.

From 1 July 2020 the rules are being amended to allow members aged 65 and 66 to continue making contributions to super without having to satisfy the work test. This increase from age 65 to age 67 opens super back up to those members who have retired, only work one day a week or volunteer in the community without pay.

A flow on effect of the increase to age 67 is the ability to also extend the three year bring forward rule for non-concessional (after-tax) contributions beyond age 65, even where not working. This means a member could potentially contribute an additional \$300,000 to super in the year they turn 67 rather than age 65. This could mean an extra \$200,000 into super for people with average super balances.

It is worth noting that age 65 continues to be the age of deemed retirement for the purposes of accessing your super benefits as either a pension or as lumps sums. This is not changing.

The increase to age 67 could be the perfect opportunity for super members who have left the workforce in recent years to partially replenish their retirement balances which may have been dealt a harsh blow from the COVID-19 share market and property downturn.

