

# Media Release

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WEALTH, PROTECTION & TAXATION

## “Plan To Avoid Tax Trap”

Anyone who draws a pension through a Self Managed Superannuation Fund or Retail Fund could potentially face a huge tax bill. “Beware of the Death Tax” says Cameron Reed Superannuation Specialist Advisor of IPS Superannuation Pty Ltd in Southport.

Under the new Simpler Super Reforms commencing 1 July 2007 contributions to super shouldn't be the only thing on peoples mind prior to 30 June. Mr Reed states that “residents should now be reviewing income streams and implementing estate planning strategies to minimise tax and most importantly prevent potentially large losses for future beneficiaries.

Many advisers and accountants have been focused on utilising the transition period to build superannuation benefits for members but at the same time have not taken into account the estate planning distribution and tax minimising strategies. Mr Reed said that “too many new clients have been advised of the current opportunities presented by the legislation without also being advised of limitations within the trust deed, in turn placing the majority of this wealth at risk”.

Beneficiaries could suffer a potential loss of 15% tax on death benefits if not structured correctly. There is also a potential for capital gains tax and increased administration cost, or even the public trustee controlling the fund in the case that appropriate documentation and strategies are not implemented.

Commentary in the market is that allocated pensions can continue under the new superannuation rules from 1 July 2007 whilst this is correct members must be aware of the potential estate planning consequences from not reviewing their current position.

The big question for members is should they continue to run an existing pension or should it be stopped and recommenced under the new legislation from 1 July 2007. Mr Reed commented that “it is imperative that residents assess their estate plans now and on a regular basis” however he also said that “even though changes may be made post 30 June there is definitely more flexibility offered for superannuation allocations of member benefits under the current legislation than the new superannuation interest rules effective 1 July 2007”. This strategy is most worthwhile for those already running an allocated pension with an annual deductible amount resulting from un-deducted contributions.

Mr Reed suggests that members have their estate planning strategy reviewed by their adviser to identify potential opportunities. IPS Superannuation is also offering a one on one, 1 hour, No obligation, Free Consultation to review pension plans and bring people up to date with these strategies. For an appointment contact Jessica Hannant on 5581 3200 of IPS Superannuation Pty Ltd to arrange your appointment.

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