Consider the family when comparing funds

Chances are you've recently seen lots of TV and newspaper advertisements tempting you to change super funds. But before you decide to switch providers, make sure you consider some key estate planning features.

While performance, investment options, administration services and fees are all important, certain estate planning options – such as binding nominations, section 279D (s279D) payments and the ability to pay an income stream – could make a huge difference to your family's lifestyle if you were to pass away. This is particularly important, given your superannuation is likely to be one of the biggest assets you accumulate during your life.

Binding nominations

Some super funds allow you to nominate – with certainty – who you'd like to receive your super in the event of your death. By completing what is known as a 'binding nomination' you can elect your super to be paid to your estate or certain beneficiaries who are considered dependants for superannuation purposes. These include your spouse, children of any age, a financial dependant and an 'interdependant' person.

Without a valid binding nomination, the fund trustee generally has the final say when determining who should receive your benefit. If a fund doesn't offer this feature (or you haven't taken up the opportunity) your super may not be distributed according to your wishes.

S279D payments

In the event of your death, some super funds will pay a larger lump sum benefit to certain eligible dependants. This additional benefit – which is known as a s279D payment (or 'anti-detriment' payment) – is broadly designed to refund the contributions tax of up to 15% deducted from your taxable super contributions.

Depending on your circumstances, a s279D payment can amount to thousands of dollars, which could make a significant difference to the funds available to your dependants to pay off debts and meet their ongoing living expenses.

Income streams

While a superannuation death benefit can generally be paid to your dependants as a lump sum, not all funds offer your beneficiaries the option of using the money to commence a tax-effective income stream.

For example, if you leave behind a young family, it may be more beneficial if your children under the age of 18 receive some of your super as an income stream, such as an allocated pension.

While the amount invested in an income stream won't qualify for a s279D payment (see above) the income stream won't be assessed against your child's (or your own) Reasonable Benefit Limit*. As a result, any taxable income payments to your child will always qualify for the full 15% pension offset, meaning the child can receive taxable income payments up to $27,603[#] p.a. without paying any tax.

Seek advice

If you want to review your super (and the options available to you) contact my office to make an appointment.

*** Your RBL is the maximum amount of concessionally taxed superannuation and employer ETP benefits that you can receive in your lifetime.**

[#] **Takes into account the 15% pension offset and low income tax offset.**