



MONEY DUE REWARDS:



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Rewards of Family Togetherness

For many of us, the 1950's style "nuclear family" seems to be regarded as the norm, or at least the ideal – mum and dad and the kids. The grandparents tend to live separately, and when they get too old for a house or flat, they tend to be sent off into retirement villages or nursing homes. One reason for this is that the older generation prefers it this way. Another is that life-spans are much longer now, compared with, say forty years ago.

However this is certainly not the case in all cultures, nor in all past ages. The modern retirement village is actually a fairly recent development. In many cultural traditions, the "elders" form very much a part of normal family life, play an important role in the raising of children, and are respected for their wisdom and experience. Whilst I am not trying to push any particular cultural issue here, I have noticed that the Australian superannuation and tax system does provide some significant advantages for families where the grandparents are integrated into the lives of their descendants.

Consider two sixty five year old grandfathers – Tim and Tom, each of whom has a tidy amount put away in his superannuation fund, and which he is currently drawing on. In terms of lifestyle, however, they find themselves in dramatically different circumstances.

Tim, on the one hand, lives in a luxury retirement village. His three adult children have all moved away to pursue careers elsewhere, and he visits them once or twice each year on average.

Tom, on the other hand, lives with his son and daughter in law, and is heavily involved in the raising of his grandchildren. He regularly helps out with a number of the household expenses, and with the maintenance of the property.

Each of these men have decided that on their death, they want their remaining superannuation to go to their descendants, but under Australian law, the treatment is not really the same. In Tim's case, he can leave his super as a "lump sum" to his adult children, and that's really the end of the matter. Apart from any "exempt" component, these death benefits will be taxed at 15%, which could end up being a considerable amount of tax.

In Tom's case, however, it can be argued that his son's family are "financially dependent" upon Tom, if not "interdependent" as well. If so, this would mean that any benefit paid to son or daughter-in-law would be tax free. In addition, Tom has the option to pay some portion of his benefit directly to his grandchildren, if he wishes, and this may be in the form of a pension, rather than a lump sum.

If you find yourself in similar circumstances, contact a professional advisor for advice on how your superannuation can be distributed to your family in the best possible way.

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