## Property in Super and cashflow

Capital growth sets you free, but cash flow pays the bills.

With the large increase seen in property values in recent decades, combined with more and more of us living well into our 90s, the question of being asset rich and cash poor is becoming increasingly common.

It's great to have significant assets behind you, but as you leave the workforce you will need cash flow to live. It's easier whilst your working, but once you retire, your assets will need to be generating income.

This is especially important if you hold property assets within the superannuation environment.

When considering purchasing an investment property in super, some things to ask yourself (amongst others):

- **Retirement Goals**: Does the investment align with my overall retirement objectives?
- **Serviceability:** Can I comfortably cover the property's expenses, both now and in the long run?
- **Growth Potential**: Is there a catalyst for short-term capital growth, or will you rely on long-term appreciation?
- **Exit Strategy**: Do I have a plan for a smooth exit from the investment when the time comes or if something goes wrong?

Imagine having a super balance of $2 million where most of this value is in a property asset. If you retire, and begin drawing from your super, there are minimum pension withdrawal requirements that increase as you get older. You'll need to consider if the property is generating enough income to support these minimum withdrawals (as well as servicing requirements) or face the question of liquidation.

Now you could leave the property in accumulation phase, where there is no obligation to pay a pension, but this will mean investment income is being taxed at 15%. It would also decrease the base of assets to calculate your pension payments.

If you're feeling a bit cash light in super, some common strategies members can think about to inject liquidity, subject to requirements, are:

- **Downsizer Contribution:** If you're over 55 and selling your primary residence, you may be able to contribute a lump sum into your super.
- **Carry-Forward Rule:** Unused concessional contribution caps can be carried forward and utilized in subsequent years, boosting your super balance.

- **Bring-Forward Rule:** Under certain conditions, you may be able to contribute up to three years' worth of non-concessional contributions in a single year.
- **Adding Members (SMSF Only):** For self-managed super funds, bringing in additional members, such as family members in their accumulation phase, can introduce fresh contributions.

Ultimately, as you get closer to your retirement age, you want to start thinking a bit more about cash flow. Remember, by the time you hit retirement eligibility, you will need a good 20+ years of income to support the lifestyle you want.

Working with financial professionals can help you navigate these complexities and review your retirement strategy to ensuring your spending rate aligns with your resources. Once you've ticked that box, you can confidently embark on the next chapter of your life, savouring the fruits of your labour.

By proactively addressing the balance between assets and cash flow, you'll be well-positioned to enjoy a truly golden retirement.

All information discussed is for educational purposes only and is general in nature, meaning it doesn't consider your personal objectives, financial situation or needs.

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