

# Media Release

10 October 2025

## Superannuation taxes and death benefit considerations lead advice conversations

The future of superannuation has been in the spotlight in adviser conversations with clients over the past two quarters. The still unlegislated Division 296 for high super balances continues to be a hot topic of discussion, as does the question of what happens to super on death.

The BT Technical team answer around 2,000 queries from advisers each quarter. Topics include legislative, regulatory and taxation issues, and superannuation related issues continue to be the most popular area of concern.<sup>1</sup>

Bryan Ashenden, BT's Head of Financial Literacy and Advocacy said: "The potential operation of the Division 296 tax is of interest and concern. While a client may not be above the \$3 million threshold today, it is the potential impact of a death benefit pension from a spouse, together with insurance proceeds inside super, that has many considering what options exist.

"We've been dealing with high volumes of queries from advisers trying to understand what changes will be made by the Government and when, so advisers can give greater clarity to their clients and implement appropriate plans," said Mr Ashenden.

The most popular technical topics from the September quarter are outlined below.

### 1. Tax on super balances above \$3 million

"There has been an expectation that legislation to enact Division 296 would happen early in the new parliamentary sittings. However, that has proven not to be the case. With delay comes increased uncertainty, particularly given recent speculation there may be some changes to the previous proposals or a change to the start date," said Mr Ashenden.

"If the legislation is enacted as previously announced, and with its initially proposed start date 1 July 2025, there would still be time to act as it will be an assessment of whether clients have total super balances exceeding \$3 million at 30 June 2026 that will determine if a liability arises.

"However, we would urge caution in withdrawing any excess amounts above \$3 million at this time in the absence of the legislation, as clients would not be eligible to recontribute that amount if they changed their mind or if there were changes to the proposal itself," said Mr Ashenden.

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<sup>1</sup> Based on BT's internal reporting. For the avoidance of doubt the BT Technical team respond to queries from advisers and do not provide legal or taxation advice.

## **2. Death benefit nominations in the spotlight**

With the release earlier this year of ASIC's<sup>2</sup> report into the claims handling processes by superannuation funds around death benefit payments, many advisers have been focussing on the death benefit nominations their clients have in place and the effectiveness of them.

"With the range of death benefit nominations available, it is important for advisers to understand the benefits and limitations of each option, so they can help guide their clients in making appropriate choices as part of their estate plans," said Mr Ashenden.

"It is necessary for a beneficiary to meet the definition of a superannuation dependant at the time of death that is crucial – not at the time of making the nomination. Regular reviews should be conducted, even for nominations that are non-lapsing, in case circumstances or wishes have changed, or an event has occurred to invalidate an existing nomination.

"Care should also be taken with binding reversionary pension nominations and the interplay with the proposed Division 296 tax as it could result in a higher tax liability under the proposed rules for the surviving spouse," said Mr Ashenden.

In October, BT Panorama made three-year binding death benefit nominations available on its superannuation platform, to provide more choice for clients. This is in addition to the existing non-lapsing nomination, discretionary nomination, and reversionary pension options.

## **3. New thresholds, indexation and opportunities**

With many superannuation thresholds indexing from 1 July 2025, advisers were assessing the retirement plans of their clients.

"With the general transfer balance cap, and therefore the total super balance threshold, indexing from \$1.9 million to \$2 million from 1 July 2025, we received queries around the level of non-concessional contributions that could now be included in the current financial year.

"The answer is obviously dependent on each client's situation, but many advisers weren't factoring in the potential increased availability of non-concessional contribution from 1 July 2025, following total super balance indexation. This could mean a greater benefit for clients who thought they no longer had the opportunity to contribute.

"Another issue to be considered is the expectation we will see the non-concessional cap index from 1 July 2026, meaning decisions about triggering the bring-forward cap should potentially be delayed until later in the financial year when we have certainty whether the contribution caps will index or not," said Mr Ashenden.

## **4. Broader considerations around the increase in super guarantee to 12%**

There are broader issues to consider around the increase in the compulsory superannuation guarantee rate to 12% from 1 July 2025.

"If clients have salary sacrifice arrangements in place, then these should be reviewed to ensure compulsory employer contributions together with salary sacrificed amounts don't inadvertently result in excess concessional contributions," said Mr Ashenden.

Building in a buffer to ensure an excess is not triggered could be a reasonable approach to take, especially given it is now easier to make a personal deductible contribution closer to year end if any cap space remains available.

For higher income earners, changes to the maximum contribution base (MCB) should also be considered.

"The MCB sets a quarterly limit to the amount of super guarantee an employer is required to pay for each employee. From 1 July 2025 with the increased rate of super guarantee, but no increase to the concessional contribution cap, the MCB will fall from \$65,070 to \$62,500 per quarter for the new financial year. Clients

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<sup>2</sup> [25-049MR Super industry hit with long list of actions in landmark death benefit claims handling report | ASIC](#)

captured by this may have less contributed by their employer as a result, and it may reduce their overall remuneration package,” said Mr Ashenden.

## **5. Delay to the implementation of the Aged Care reforms until 1 November 2025**

The implementation of the new Aged Care Act, originally slated for 1 July 2025, has been delayed by four months and will now begin on 1 November 2025. The delay is due to concerns about the aged care sector's readiness to implement the new legislation, provide clarity and finalise the new rules and regulations.

The delay provides an opportunity for aged care providers, and impacted individuals, to better prepare for the changes, understand the new rules and regulations, and ensure a smoother transition. Key aspects of the reforms will include a new Aged Care Act to focus on the rights of older people, aiming to enhance the quality and safety of aged care services.

“Means testing arrangements will change for new participants and likely increase the costs they pay towards any in-home or residential aged care,” said Mr Ashenden.

“The rebalancing of the means test will make the asset test harsher and the income test slightly more favourable. Based on scenarios from adviser queries, the changes will result in higher total fees paid by a majority of new participants.

“However, a no worse off principle will apply to individuals already in permanent residential care or already approved for a home care package. Individuals in these circumstances will not be negatively impacted by the new fee arrangements unless they choose to opt into the new system.

There are also changes to accommodation costs for new residential aged care residents entering after 1 November 2025.

“The facility will be able to keep a retention amount from any Refundable Accommodation Deposit paid by a resident calculated at 2% per annum but on a daily basis, meaning clients or their estate will not receive the full balance they paid upon exit from the facility. Daily Accommodation Payments will also be indexed to inflation to maintain the real value of the expense. For clients with an impending need for residential care and depending on their circumstances there may be merit to enter residential aged care prior to 1 November 2025 rather than delay this until after the new rules commence,” concluded Mr Ashenden.

## **DISCLAIMER**

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