A photograph of a man in a dark suit and tie standing in a modern conference room, gesturing with his hands while holding a small white card. He is addressing a group of people seated around a long table. The room has large windows and a recessed ceiling light fixture. The scene is dimly lit, with the primary light source being the overhead fixture.

# Division 296 "Wealth Tax", Case Study & Strategic Playbook

Grant Abbott – 30-minute Executive Briefing

SAPEPAA | LY Legal  
| LightYear Docs

# Agenda



## **Division 296 Basics**

5 key points about the new wealth tax



## **Core Calculation**

Smith Family SMSF case study



## **Risk Assessment**

Implications for trustees & advisers



## **Strategic Options**

Age-based approaches & advanced products



## **Action Plan**

Immediate steps to take

# Division 296 Basics



## What

Extra 15% tax on earnings  
above \$3m



## When

First measured 30 June  
2026



## Who

~80,000 members (0.5%)



## How

ATO-assessed; payable personally



## Why It Matters

Doubles tax on part of balance

# Anatomy of the Calculation

## **Collect Total Super Balance**

End-of-year TSB across all funds

## **Calculate Adjusted TSB**

Add withdrawals, subtract contributions

## **Determine Earnings**

Less opening TSB (substitute \$3m if below)

## **Calculate Taxable Earnings**

Apply % of balance above \$3m

## **Assess Division 296 Tax**

15% tax assessed to member (84 days to pay)



# Smith Family Super Fund (Snapshot)

	1 Jul 25	30 Jun 26
TSB	\$4m	\$5m
Withdrawals	—	\$350k
Contributions	—	\$320k
<b>Earnings</b>		<b>\$1.03m</b>
% > \$3m		40%
<b>Taxable earnings</b>		<b>\$412k</b>
<b>Div 296 tax</b>		<b>\$61,800</b>

Take-away: \$61.8k cash due even though only \$50k was drawn during the year.

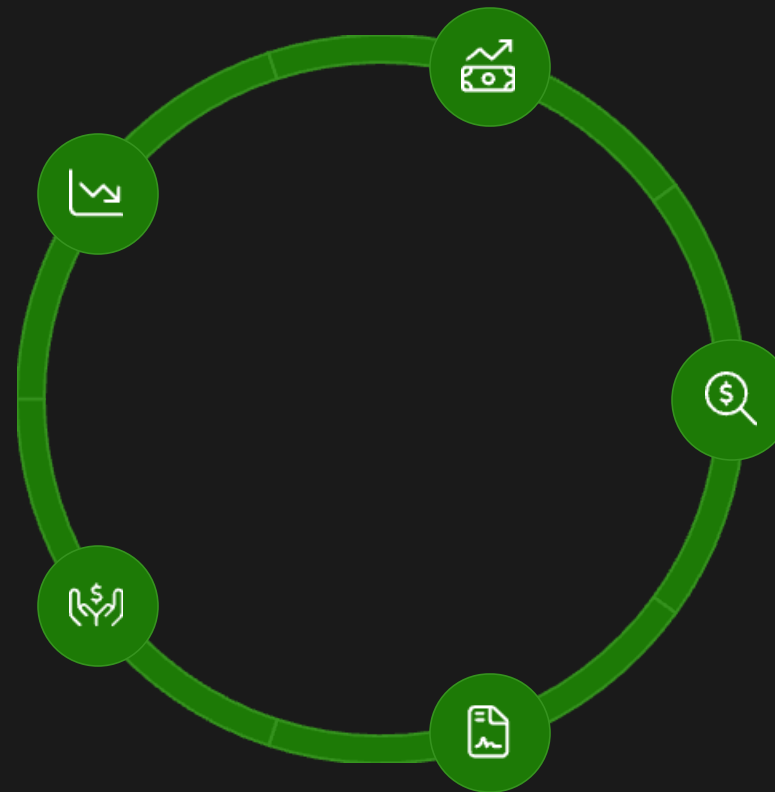
# Macro Risks for SMSF Trustees

## Wealth-Tax Drag

Annual tax reduces compounding growth

## Liquidity Shocks

Forced asset sales to fund tax



## Unrealised Gains Taxed

Pay tax before selling assets

## Expanding Exposure

Frozen threshold captures more members

## Compliance Burden

Heavy valuation & reporting requirements



# Strategy A1: Investment Reserves

## Benefit

Earnings can be taken to an investment reserve

## How

- Establish under the Deed and section 115
- Earning can be fully allocated to reserves
- Reserve strategy kit on LYD

## Watch-outs

- Although used all the time in the past – ATO is not on board
- Used by Industry Super Funds to smooth returns

# Strategy A2: Spouse Contribution Equalisation (Under-60)



## Benefit

Taking a long position on contributions and use splitting



## Concessional Contribution

85% split each year



## Spouse Contributes

\$360k non-concessional contributions

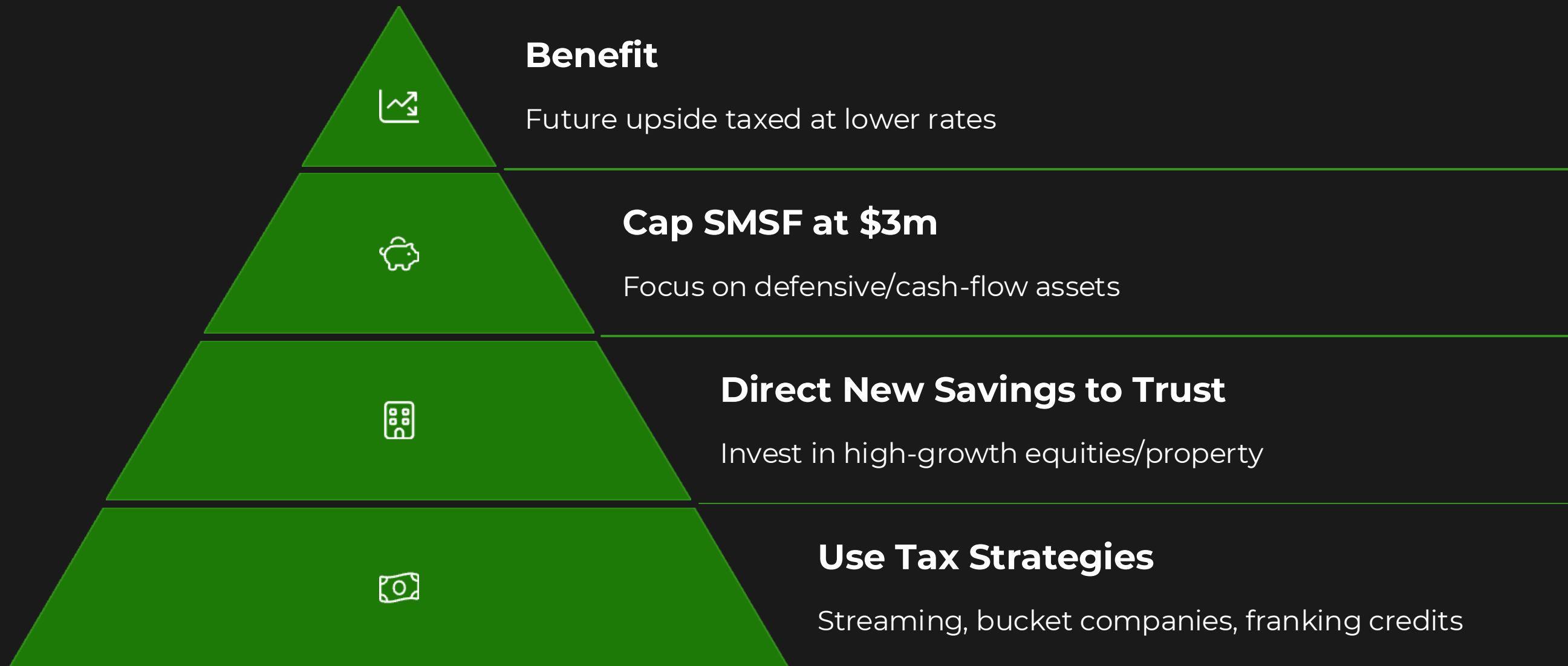


## Repeat Over 3 Years

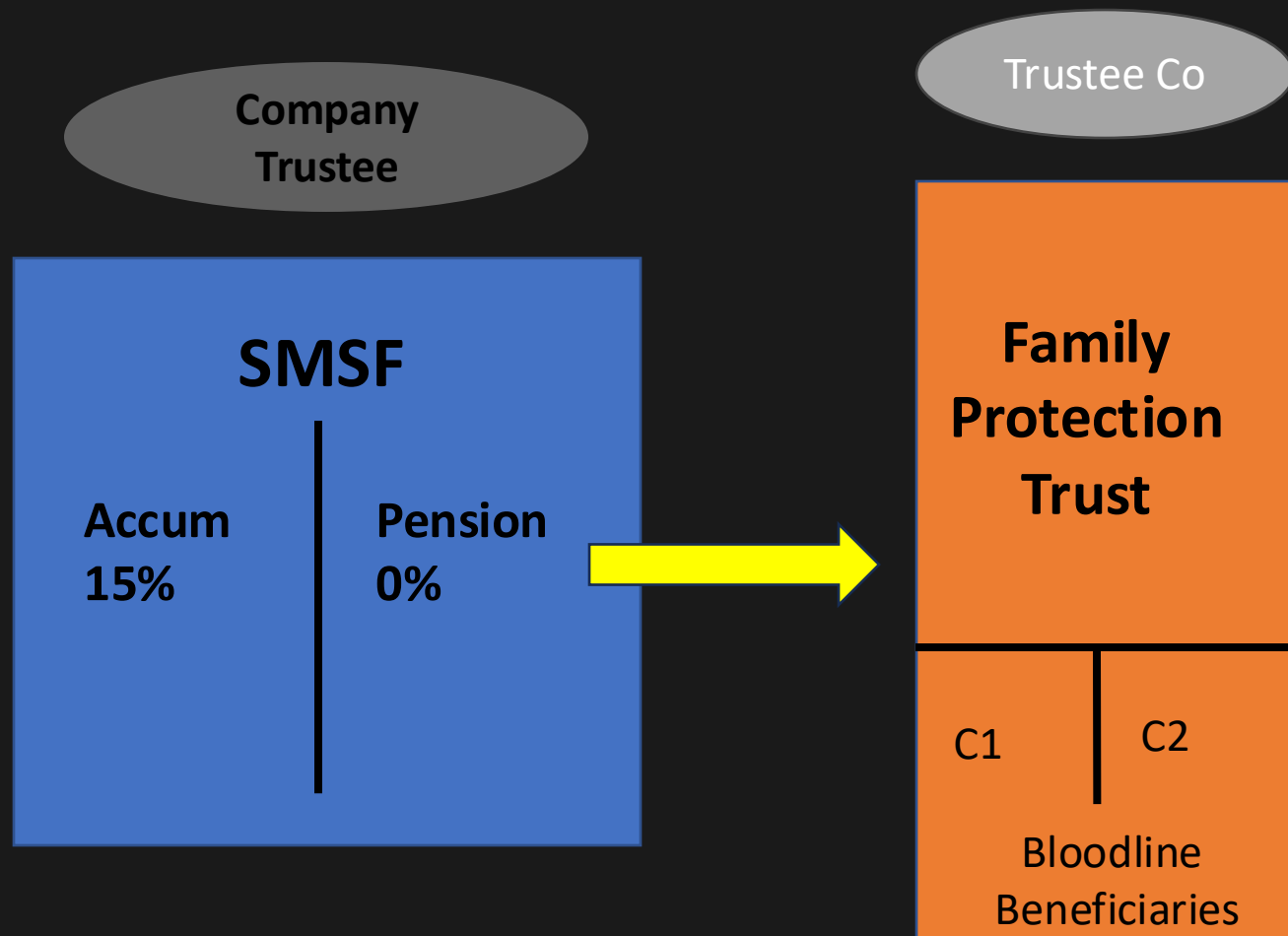
Watch receiving spouse's TSB < \$1.9m



# Strategy A3: Growth Outside Super (Family Protection Trust)



# Strategy A3: SMSF and Family Protection Trust running side by side



## Dangers of High Value SMSFs

Children taxed at 15% tax rate – death benefit tax

## FPT Provides seamless estate planning

No CGT on transfer to next generation

## Use both in Tandem

Invest in high-growth equities/property in FPT

## Use Tax Strategies

Streaming, bucket companies, franking credits

# Strategy A4: Insurance/Investment Bonds



## Benefit

30% internal  
tax, tax-free  
after 10 years



## Redirect Savings

125% growth  
investment  
bond



## Hold 10 Years

Then withdraw  
lump sum tax-  
free



## Watch-outs

Contribution  
ceiling, limited  
assets, fees



# Strategy B1: Withdrawal & Re-Contribution (60+) to Lower Members

## Withdraw

\$3360k lump sum tax-free (age  $\geq$  60) in June

## Repeat

Every 3 years to shift \$360k indexed  
And not just to spouse but  
also



## Wait

Can do \$540,000 with contributions  
Suspense account

## Tax Free Build

Great for estate planning for  
children

# Strategy B2: Rebalance Members with Segregation

## Accumulation Phase Member

- 15% fund-tax on earnings
- Maximises tax-free growth
- High-growth assets

## D296 Member (\$3m)

- Low-volatility assets
- Subject to minimum withdrawals
- Limits TSB above \$3m

## Annual Review

- Asset allocation check
- Actuarial percentage
- Rebalance if needed
- Watch segregation limits

# Strategy B3: Managed Cash Reserve & Year-End Pull-Down

1

## Build Cash/Bond Sleeve

Inside SMSF for liquidity

2

## Monitor Growth

Track balance approaching June

3

## Late-June Withdrawal

Equal to growth, maintain \$2.95m closing TSB

4

## Deposit to Family Protection Trust

Or repay non-deductible debt

## Calendar June

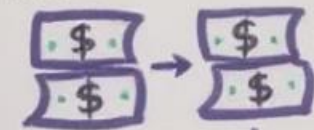
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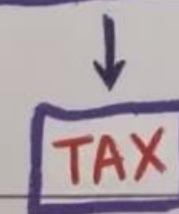
Inflows



CASH



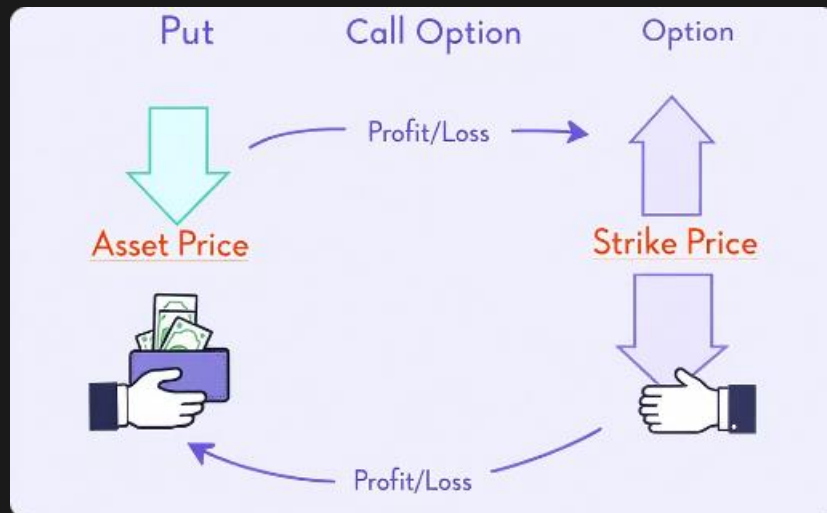
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withdrawl before on tax  
assessment day \$45"



# Advanced Product Overlay: Listed Collar + Trust Call



## Structure

SMSF buys ATM put, sells OTM covered call

Compliance: DRS, arm's-length pricing evidence, SIS r13.16 derivative limits, NALI audit



## FPT Purchase

Call option at broker-quoted premium



## Outcome

Upside above strike settles in FPT

# Immediate Action Checklist (Take-Home)

## Valuations

30 June valuations & projection model

## Strategy Selection

Threshold, spouse, asset re-location

## Liquidity Plan

Cash plan for first 2026 assessment

## Adviser Appointment

Book before Christmas 2025

## Legal Sign-off

Required if using advanced product overlay

# Q&A

Time to put Division 296 back in its box—before it opens yours.



## Your Questions

Addressing specific concerns



## Strategy Refinement

Tailoring approaches to your situation



## Next Steps

Booking your strategy session