



## Monthly Information Newsletter – Tax & Super

March 2023

### Crystallising capital losses

It's been a particularly difficult 12 months for investors.

On the superannuation front, we now have two major reports assessing how super accounts fared in the 2022 calendar year. SuperRatings issued its average balanced return recently and found it was minus 4.8%. Late last year, ChantWest undertook a similar exercise – reporting a figure of minus 4.6%. There have been four negative years since 2000. In 2002, there was an identical return of minus 4.8%, and in the horror 2008 GFC year, the average super fund fell 20%.

Regarding property, CoreLogic's capital city index declined 8.8% from its May 2022 peak to December, down 7.1% in calendar year terms, being the worst calendar year result in 42 years.

It's important however to be mindful that these losses are merely paper losses. That is, these losses are only realised, and locked in, if:

- in the case of property or shares, you sell the asset, or
- in the case of superannuation, by selling assets or withdrawing super when investment balances are down.

If you retain the asset, you may be able to ride things out and hopefully the market bounces back. For example, the average return for the average balanced fund since 2000 is 6.1% (a period that takes into account the aforementioned 20% downturn during the GFC) – that's \$30,500 a year for every \$500,000 you can get into super. Things should improve!

If you determine that an asset has little potential for future growth and decide to sell and happen to make a capital loss...there is a silver lining from a tax standpoint! You can deduct capital losses from your capital gains to reduce CGT liability. Capital losses must be used at the first opportunity. If you have any capital losses in the current year, or unused capital losses from previous years, you must use these losses to reduce any capital gains in the current year, and use the earliest losses first.

Of course, tax is not the only consideration when weighing up whether to retain or dispose of a CGT asset. Talk to your advisors before selling.

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