The Retirement Reset: How Downsizing, Bridging Finance and Super Can Transform Retirement, part 1

For many Australians approaching retirement, their largest asset isn't their superannuation fund.

It's their family home.

After 20, 30 or even 40 years of property ownership, a couple may find themselves living in a valuable home with little or no mortgage, while their superannuation balance is comparatively modest.

That creates an interesting retirement planning opportunity.

Rather than looking at downsizing as simply "**selling the big house and buying a smaller one**," it can potentially become a much broader financial strategy:



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Buy the right retirement home → sell the existing principal residence → eliminate debt → contribute surplus equity into super → strengthen retirement income.

When lending and financial advice are coordinated properly, this can effectively become a **Retirement Reset Strategy**.

Step 1: Buy the next home before selling, part 1

One of the biggest practical problems with downsizing is timing.

Many homeowners don't want to sell their existing home until they have found exactly where they want to live next.

Selling first can mean renting, moving twice, paying storage costs and feeling pressured to buy the next available property.

A **No End Debt Bridging Loan** can potentially solve this problem.

Bridging finance allows the client to purchase their next principal residence before their existing home is sold. The loan temporarily bridges the gap between the purchase of the new property and settlement of the old one.

Importantly for downsizers, a **No End Debt** structure means the expected proceeds from selling the existing property are sufficient to repay the bridging facility completely.

Once the existing home settles, the bridging loan, interest and applicable costs are repaid and the client can potentially own their new home with no mortgage remaining.

This is a recognised use of bridging finance for downsizers. For example, Westpac describes a no-end-debt bridge as a situation where the sale proceeds from the existing property are sufficient to repay the entire bridging loan.

Step 1: Buy the next home before selling, part 2

That can be particularly important for retirees and pre-retirees because some specialist no-end-debt products focus heavily on the equity position and sale exit strategy rather than requiring the borrower to demonstrate the same long-term servicing capacity required for a conventional 20- or 30-year mortgage. Lending policies vary considerably between lenders.

Step 2: Release the surplus equity

Consider a simple example.

A couple in their early 60s own their family home worth **$3 million**, with no mortgage.

They find the home they want for retirement for **$1.8 million**.

Rather than selling first, they use bridging finance to acquire the $1.8 million property.

They move into their new home and then professionally prepare and market their former residence without needing to coordinate two settlements on exactly the same day.

Their existing home subsequently sells for $3 million.

Ignoring transaction costs and bridging interest for simplicity:

Sale proceeds: $3,000,000
New residence: $1,800,000
Surplus capital: approximately $1,200,000

The question then becomes:

What should they do with the $1.2 million?

This is where the property strategy becomes a retirement planning strategy.

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Step 3: Use the Downsizer Contribution

Australia's downsizer contribution rules can provide an extremely valuable opportunity for eligible older Australians.

If the eligibility requirements are satisfied, an individual aged 55 or older can contribute up to $300,000 from the proceeds of selling an eligible home into super.

For an eligible couple, that's potentially:

$300,000 + $300,000 = $600,000 into super.

The contribution generally needs to be made within 90 days of receiving the sale proceeds. The property must also satisfy requirements including the ownership period and main-residence rules. Importantly, a downsizer contribution does **not** count towards the normal non-concessional contribution cap.

That distinction creates the next opportunity.

Step 4: Potentially combine it with the three-year bring-forward rule (part 1)

Subject to age, Total Super Balance and other eligibility requirements, clients may also be able to use the non-concessional contribution bring-forward provisions.

For the 2026–27 financial year, the general non-concessional contribution cap is **$130,000**.

An eligible person may therefore be able to bring forward three years of contributions and contribute up to:

$130,000 × 3 = $390,000.

The amount available depends on the person's Total Super Balance and whether they have previously triggered a bring-forward period.

Now combine the two strategies.

Potential contribution per person

Downsizer contribution: **$300,000**

Plus potential three-year non-concessional contribution: **$390,000**

Potential total: $690,000

For an eligible couple:

$690,000 × 2 = potentially $1.38 million contributed to super.

Step 4: Potentially combine it with the three-year bring-forward rule (part 2)

That's an extraordinary planning opportunity.

And depending on their circumstances, there may also be opportunities around concessional contributions and unused concessional contribution caps, although these have separate eligibility requirements and should be assessed by the client's financial adviser.

Think about what has just happened

Our hypothetical couple started with:

$3 million family home + existing superannuation

They could potentially finish the strategy with:

$1.8 million debt-free retirement home + up to $1.2 million of released capital available to reposition.

If sufficient sale proceeds and other funds were available, the combination of downsizer and bring-forward rules could theoretically provide contribution capacity of up to **$1.38 million for an eligible couple** under 2026–27 settings.

In our example, only $1.2 million of surplus property proceeds exists before costs, so the actual contribution obviously cannot exceed the capital available.

But that's exactly the point.

Downsizing can turn previously inaccessible home equity into investable retirement capital

It's not really a downsizing strategy

We think that's the wrong way to describe it.

It's a **retirement balance-sheet strategy**.

The client may be able to move from:

Large family home + underfunded super

to:

Right-sized home + no debt + significantly larger superannuation balance + greater retirement liquidity.

And importantly, the downsizer rules don't actually require someone to buy a smaller or cheaper home. Eligibility is driven by the sale and contribution requirements rather than the physical size of the next property.

Why the financial planner and mortgage broker need to work together

This isn't a transaction that should be planned in isolation.

The financial adviser needs to consider superannuation balances, contribution eligibility, retirement income, tax, Age Pension implications, investment strategy and estate planning.

The mortgage broker needs to understand the property values, existing debt, purchase price, expected sale proceeds, bridging period, peak debt, lender policy and the client's exit strategy.

The property sale and purchase also need to be coordinated with the client's solicitor or conveyancer.

When those professionals collaborate **before the client buys or sells**, the financing can be designed around the retirement strategy rather than trying to retrofit the financial plan after the property transaction has occurred.

From The Lion's Den

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The Lydian approach

At Lydian, we believe lending advice for clients approaching retirement should be about much more than simply finding a home loan.

For the right client, their home may represent decades of accumulated wealth.

A carefully structured downsizing strategy can potentially help them:

Buy before they sell, avoid moving twice, eliminate their mortgage, release accumulated home equity and reposition significant capital into superannuation for retirement.

The starting point is not:

"How much can this client borrow?"

The better question is:

"How can we use their property and lending position to help create the retirement they want?"

That is where great lending advice and great financial planning come together.

This article contains general information only and does not constitute financial, taxation, legal or credit advice. Superannuation contribution rules, thresholds and eligibility requirements can change and depend on individual circumstances. Clients should obtain appropriate financial, taxation and legal advice before implementing a strategy. Lending is subject to lender eligibility, credit assessment, valuation, lending criteria, fees and applicable interest charges.

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