

GROW INTO RETIREMENT

How you can access your super while still working and retire with more when you're ready?

If you are 55 to 64 and still working (full or part-time) you can access your super by way of a transition to retirement pension (TTR).

A TTR provides the opportunity for you to control how and when you want to retire.

In a nut shell, choosing the transition path means you can:

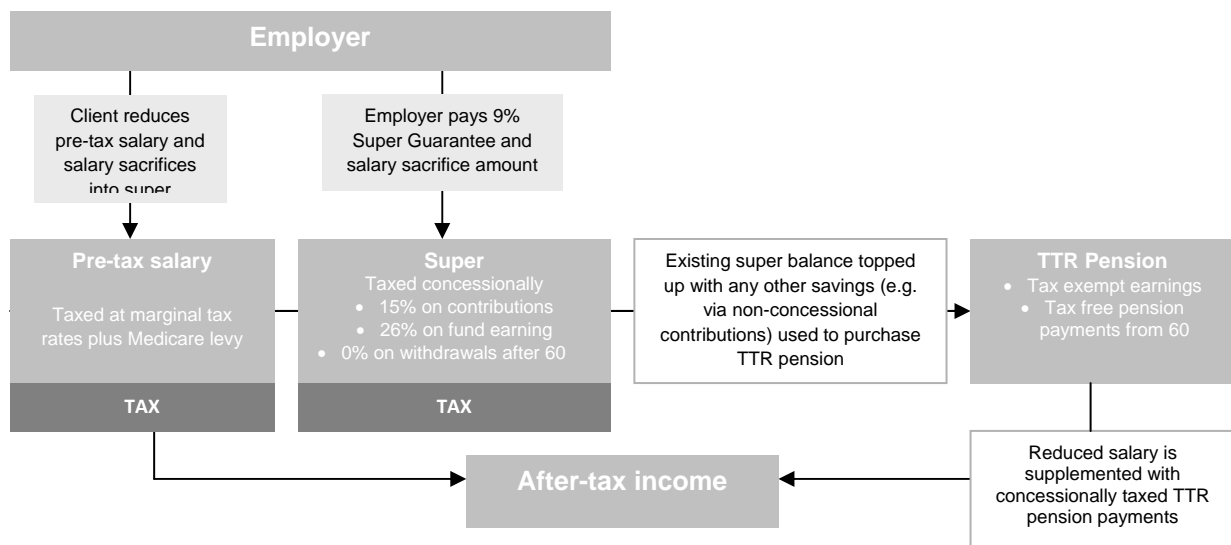
- Maintain or increase your income levels even if you reduce your working hours
- Reduce your income tax and Medicare levy
- Reduce tax on investment earnings
- Reduce tax on realise capital gains

If you hold assets personally or any other tax structure (trust/company) and you are considering retirement, now may be the opportune time to utilise these assets to maximise your superannuation strategies.

Choosing the right strategy can have a significant impact on your retirement benefit, particularly if you are on the higher marginal tax brackets.

TTR strategy is flexible and needs to be monitored from year to year as income (both from the pension and your employer) as well as other circumstances change. The strategy is able to be unwound (in full or in part) at any time.

HOW IT WORKS



CASE STUDY

Client scenario

Roger, aged 55, is an engineer whose only income is a salary of \$90,000.00 p.a. He enjoys his job and has no immediate plans to reduce his working hours. However, he believes age 65 would be a good time to retire from the workforce.

Roger has a super account balance of \$325,000 (all taxable component and fully preserved) invested in a balanced option that has historically earned 7% p.a. He has heard about the transition to retirement rules and is interested to find out how he can benefit.

The strategy

Roger's financial adviser suggests that he consider implementing a TTR strategy which requires him to salary sacrifice a significant portion of his pre-tax salary into his super account. However, Roger is concerned as he does not want to change his lifestyle or reduce his disposable income.

Roger currently earns \$90,000 in gross income which provides him with a take-home pay of \$67,000. His financial adviser explains that if he salary sacrifices \$40,558 p.a from his salary into super, he will still receive \$49,442 p.a. in gross income from his employer. He then explains that he can supplement his reduce income with pension payments of \$32,500 p.a. from a TTR pension to be established with his existing super savings. This will mean that Roger's after-tax income will remain unchanged at \$67,000.

Roger's income over view – year one

	Current position (\$)	With TTR strategy (\$)
Original Salary	90,000	90,000
Salary sacrifice super contribution	0	(40,558)
Cash salary	90,000	49,442
TTR pension (taxable)	0	32,500
Total income	90,000	91,942
Gross PAGY tax	(21,650)	(18,588)
15% pension tax offset	0	4,873
Medicare levy	(1,350)	1,229
Net tax and Medicare levy	(23,350)	(14,942)
After-tax income	67,000	67,000

Roger's forecasted super benefits to retirement

Roger is happy that he will receive the same income and continue to live the lifestyle he enjoys, but wants to know how this will benefit his retirement savings. His financial adviser explains that in year one the net salary sacrifice super contributions exceed TTR pension drawings.

Had Roger been 60 years of age, he could have matched his existing income by receiving a lower TTR pension payment of \$26,410. This would have achieved a year one benefit of \$10,771.

Also, any returns in Roger's pension account balance will not be subject to tax within the fund. In summary, through salary sacrificing a large portion of his salary and establishing a TTR pension to supplement his reduced take-home pay, Roger will benefit from:

- Having the amount that he salary sacrifices into his super taxed only at 15% compared to his marginal tax rates
- The investment earnings on his TTR account being tax exempt compared to being taxed at up to 15% on his super account (a 15% tax offset applies to the taxable TTR pension payments)
- His TTR pension payments being tax free from age 60

For more details on transition to retirement please ask us or contact our preferred financial adviser:

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