

Transitioning to retirement has never been so easy

Are you looking to grow your super before you retire or reduce the number of hours you are working while maintaining your income? A transition to retirement strategy may be just right for you.

Australians who have reached their superannuation preservation age, currently 55 years, and who have not yet retired can access their super via a transition to retirement strategy. As you continue to work, you can now choose to receive a regular income from your superannuation savings through an allocated pension.

A transition to retirement strategy gives you new options to approach retirement with.

You can:

- work part time and use a Transition to Retirement Pension to supplement your income, allowing you the luxury of maintaining the equivalent of a full time income even though you are only working part time, or
- work full time, but use a Transition to Retirement Pension to provide some, or all, of your income. You can then salary sacrifice a portion of your salary to superannuation, subject to contribution rules and your employer agreeing, providing potential taxation savings whilst increasing your retirement savings.

What happens when I retire?

The great thing about transition to retirement strategies is that once you retire, you can stop the pension and access your superannuation savings as a lump sum, or continue to receive pension payments from your superannuation, while it continues to be professionally invested. This offers you significant flexibility in both lifestyle and taxation planning in retirement.

Am I eligible?

A transition to retirement strategy is well worth considering if you:

- have reached at least age 55, and in particular, have reached age 60 and are therefore eligible for a tax-free pension
- are either employed or self employed
- have a significant disposable income or are on a higher marginal tax rate
- have as little as a year to go until retirement, however, the strategy does work best for those people several years from retirement.

Case study

Jonathan has just turned 60.

He earns an annual salary of \$100,000 and has \$200,000 of preserved superannuation entitlements in a balanced super fund. Jonathan enjoys his job and does not think he will retire until he reaches the age of 65.

Jonathan elects to commence a pension under the transition to retirement rules, taking the 10% maximum tax-free pension drawdown, of \$20,000 p.a. in the first year. This allows him to commence salary sacrificing \$31,704 p.a. into his superannuation fund, in addition to his employer funded 9% Superannuation Guarantee payments. These contributions will be taxed at a rate of 15% instead of the higher marginal tax rates of 31.5% and 41.5%.

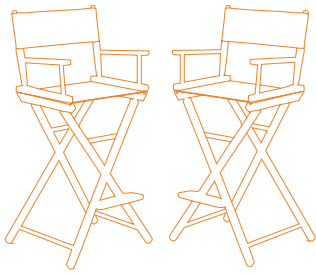
Let's take a look at Jonathan's transition to retirement strategy in action.

Cash flow overview – year 1

Jonathan	Current position	With transitioning to retirement strategy
Original salary	\$100,000	\$100,000
Salary sacrifice super contribution	\$0	(\$31,704)
Taxable income	\$100,000	\$68,296
Net tax & Medicare levy	(\$27,450)	(\$15,746)
TTR pension (tax-free)	\$0	\$20,000
After-tax income	\$72,550	\$72,550

Benefits overview – year 1

Jonathan	With transitioning to retirement strategy
Salary sacrifice super contribution	\$31,704
Contributions tax	(\$4,756)
TTR pension payments	(\$20,000)
Net strategy benefit	\$6,948



The strategy provides Jonathan with the same after-tax income as before he commenced the strategy and in the first year, by employing the transitioning to retirement strategy, he will also have an additional \$6,948 in savings for his eventual retirement. A further benefit Jonathan will enjoy is the tax savings on pension earnings, as the earnings tax of 15% does not apply to money invested in his allocated pension.

Based on the strategy's ability to allow Jonathan to make increased savings for his retirement, over five years Jonathan will have a better retirement outcome than he could otherwise have expected.

Assumptions

In assessing the benefits of Jonathan undertaking a transition to retirement strategy compared to maintaining his current position, the following assumptions were used:

- salary increases by 4% p.a.
- earnings tax of 15% p.a.
- 7.5% p.a. return on superannuation and pension assets

How do I put transitioning to retirement to work for me?

Your adviser will be able to talk to you about your retirement goals, your transitioning to retirement options, and how an allocated pension can work with your Centrelink entitlements once you do wish to finally retire permanently from work. There is a lot to consider and professional advice can help you realise a brighter future.

Important information - No personal advice

The content of this material has been prepared without taking into account any individual's objectives, financial situation or needs. Because of that, before acting you should consider the appropriateness of what is included here, having regard for your own objectives, financial situation and needs. Before making any decision about whether or not to acquire or continue to hold a financial product mentioned in this material, you should obtain and consider the latest disclosure document for the product. This information is issued by FSP Super Pty Ltd ABN: 25 091 778 639 AFSL: 244312 (Trustee of the FSP Super Fund) and FSP Portfolio Administration Limited ABN: 72 093 403 608 AFSL: 244254 (Operator of FSP Prestige Plus).