Fact Sheet

Transition to Retirement

This fact sheet explains...

- Accessing super without retiring
- Am I eligible?
- How does it work?
- What are some benefits?
- Cashflow cycle

Your superannuation provides you with a nest egg for retirement. As you approach retirement, there are a number of opportunities that will help you to maximise your savings.

The age of opportunity

From preservation age (currently 55), you can access your super without retiring. If you are 55 and still working you can choose to:

Reduce your tax in super

Converting your accumulation fund to pension phase reduces tax on all investment earnings in super to nil.

Reduce your working hours, but not your take home pay

You can reduce your working hours and draw the shortfall from an income stream. Not only can you achieve the same level of income as if working full-time, but you can potentially save tax as well!

Income swap

You can potentially reduce your tax bill by salary sacrificing some of your income into super and receiving the shortfall from an income stream, which will be taxed concessionally or be tax free if over 60.

To partially access your super without retiring, there are a few rules to be aware of:

- You must reach your preservation age
- There's a yearly minimum you must receive based on your age
- You can access up to 10% of your super account balance per year
- You can only draw your super via a transition to retirement pension - and you can't make lump sum withdrawals

Am I eligible?

To be eligible to take up a pension under the transition to retirement option, you need to be 55 years or older. That is, you have met your preservation age which allows you to access your super (see table below). For anyone born before 1 July 1960, this is age 55. For those younger, you can access between ages 56-60.

Preservation age
The age at which you can access your super

date of birth	preservation age
Before 1 July 1960	55 years
1 July 1960 - 30 June 1961	56 years
1 July 1961 - 30 June 1962	57 years
1 July 1962 - 30 June 1963	58 years
1 July 1963 - 30 June 1964	59 years
After 30 June 1964	60 years

How does it work?

A transition to retirement strategy is basically 'turning on the tap' from your superannuation accumulation fund. Your pension will provide you with a regular and flexible income, however you are subject to legislated minimum withdrawals and up to a maximum payment of 10% of your account balance each year.

You generally won't be able to make lump sum withdrawals from your pension account. These restrictions are lifted once you are fully retired or reach age 65.

Minimum pension drawdowns

age	minimum percentage
Less than 65 years	4%
65 - 74 years	5%
75 - 79 years	6%
80 - 84 years	7%
85 - 89 years	9%
90 - 94 years	11%
95 years +	14%

What are some benefits?

Reduce your tax in super

When you convert your super to pension, your money stays in the super environment, so that your funds still receive tax concessions on investment earnings Once in pension phase, you no longer pay tax on earnings (income **and** growth) that your fund generates, so that all investment returns are used towards building your retirement nest egg, rather than paying tax.

Reduce working hours, but not take home pay

As you get closer to retirement, you may like to start slowing down, and reducing your working hours each week. A transition to retirement pension allows you to reduce your employment income, and top it up with income drawn from your pension, so that your take home pay is not reduced.

Income Swap

To maximise tax concessions available, you may consider replacing employment income with income drawn from your pension. In this case, you would salary sacrifice a portion of your pre-tax income to super, so that you pay a maximum of 15% tax on this income. You would then draw a sufficient level of income (up to 10%) from your pension to top your income back up to the desired level. Your pension income will receive a 15% rebate on the taxable portion to age 59, and will be tax free from age 60. The tax savings allow you to build your retirement nest egg faster.

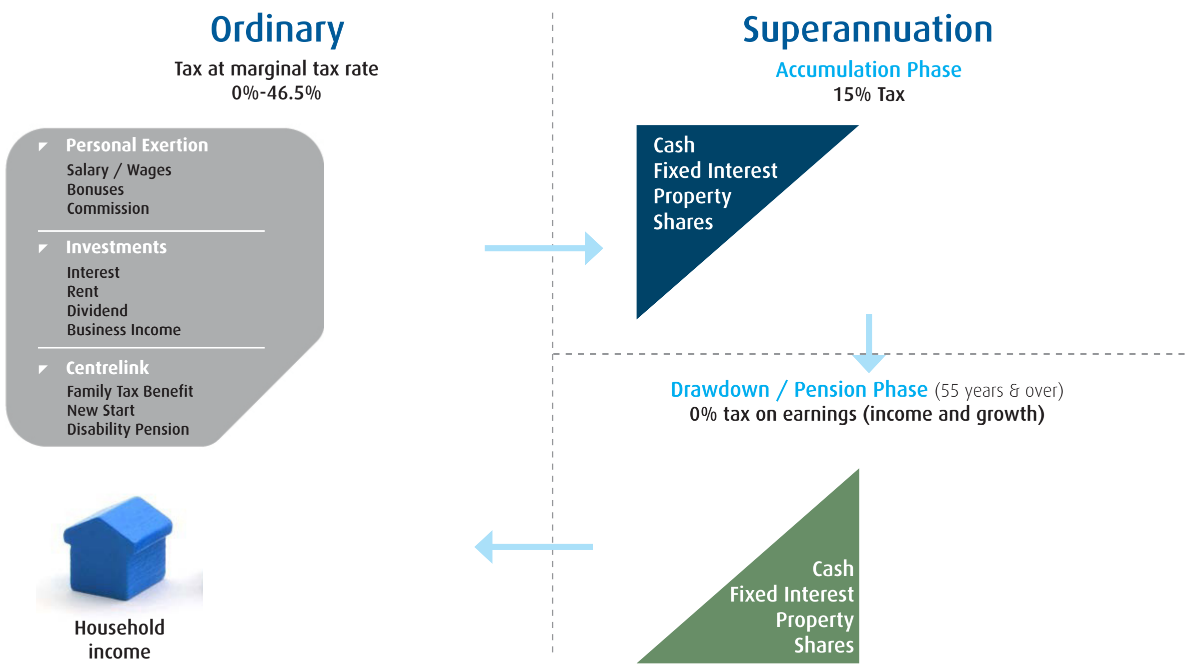
Tax on pension payments

Age at date of payment	Tax-free component	Taxable Component (subject to tax at:)	
		Taxed	Untaxed
Under preservation age	Tax free	MTR	MTR
Preservation age to age 59	Tax free	MTR with 15% offset	MTR

Important considerations

- Once you have commenced your pension, you cannot make any further deposits, transfers or rollovers into your pension account. Therefore you need to have all monies in place before you receive your first payment, however you can set-up additional pensions at a later stage.
- Centrelink will include the balance of your pension account and may include a portion of your pension income in assessing your eligibility for government entitlements.
- If you die, your pension may continue to a spouse and in some cases, tax dependents, otherwise the balance of the account will be paid to your dependents and/or legal personal representative.

Transition to retirement cashflow cycle



it's possible.

What you need to know
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