



Transition to Retirement Account Based Pensions

How they can help *your* retirement...

Many pre-retirees are in a good position to take advantage of a tax-effective super strategy – Transition to Retirement Account Based Pensions [TRPs]

If you have reached preservation age (generally 55 years), TRPs enable you

- to continue working the same number or fewer hours
- to access your super early, via a pension

If you choose a Transition to Retirement Account Based Pension...

- you pay **no tax** (if you are over 60 years old) on the payments that are drawn from your super as pension
- you can **cut back your working hours** and still maintain your income level by supplementing your lower salary with your pension
- you can still **make contributions** to your super
- you can **start or stop your pension** at any time
- you can potentially **make significant tax savings** by salary sacrificing

What else should you consider?

- Consider whether accessing your super early could eat into your future income and affect your retirement plans.
- Check the pension drawdown limits that will apply to your TRP. Since 1 July 2009 to 30 June 2011, the minimum payment is 2% p.a. however from 1 July 2011 this may be 4% p.a. The maximum payment is 10% p.a. of your super account balance.
- Check whether or not your employer super contributions are based on total salary, rather than calculated on your post-sacrificed income.
- If you are considering salary sacrificing money into super, seek advice about any limits that apply.
- A TRP is 'non-commutable', that is, it cannot be taken as a lump sum amount, but when you turn 65, your TRP becomes a regular Account Based pension and you have the option of lump sum withdrawals.



Which strategy is right for you?

Ask your Count Adviser how you could take advantage of a Transition to Retirement Account Based Pension.

WLF Financial Services (03) 6223 6155

1st Floor 160 Collins Street
HOBART TAS 7000

Case study: TRP + Salary Sacrificing

Steve is a 55-year-old manager of a construction site, earning \$100,000 p.a. He wants to minimise his tax and build up his super before he retires.

His current super balance is \$500,000.

Steve's Count Adviser recommends that he

1. salary sacrifice \$40,878 p.a., which places his income in a lower tax bracket
2. maintain his level of income by supplementing his take-home pay with \$32,500 each year from his TRP

The advantages of a TRP +Salary Sacrificing strategy for Steve

- Steve will have the **same level of income**
- All earnings from Steve's TRP will be **tax-free**
- He will have a **total tax saving of \$6,637**, taking into account the total tax on his reduced take-home pay and superannuation.

Concessional contributions to super

Salary sacrifice and superannuation guarantee contributions are limited by the concessional contribution cap.

The concessional contributions cap is \$50,000 for people over age 50,

As Steve's case study showed, pre-retirees can make significant tax savings by making contributions up to the concessional contributions cap using a TRP strategy.

The benefits are even greater if you are over age 60 or have a tax free portion in your super balance.

Table 1 – Income comparison

	Current Situation	Transition to Retirement
Salary	\$100,000	\$100,000
Super Guarantee	\$9,000	\$9,000
Less salary sacrifice	Nil	\$40,878
Pension income	Nil	\$32,610
Assessable income	\$100,000	\$91,732
Income tax and Medicare	\$26,450	\$23,073
Less pension rebate (15%)	Nil	\$4,891
Net income	\$73,550	\$73,550

Table 2 –Tax Comparison

	Current Situation	Transition to Retirement
Income Tax and Medicare	\$26,450	\$23,073
Contributions Tax	\$1,350	\$7,481
Super Earnings Tax	\$4,500	Nil
Pension Rebate	Nil	-\$4,891
Total tax	\$32,300	\$25,663
Tax saving	-	\$6,637