



Transition to retirement

Once you reach your preservation age, you can use a transition to retirement strategy to access your super without retiring. A transition to retirement strategy will convert part or all of your accumulation super account into a pension, paying between 4% pa and 10% pa.

Taking advantage of the transition to retirement rules from age 60

Example - John

John is 60 and wishes to continue working full-time while taking advantage of the transition to retirement rules. He currently earns \$100,000 pa which provides him with a net income (after tax and Medicare) of approximately \$73,300. He needs all of his net income to meet his living costs and mortgage repayments.

John has a super balance of \$500,000 invested in Maritime Super's Balanced investment option. He can roll over his superannuation funds into a Working Income Support Pension (WISP) and implement a transition to retirement strategy as follows:

| | Current position | Position with salary sacrifice & WISP commenced |
|---|------------------|---|
| | 2011/2012 | 2011/2012 |
| Salary | \$100,000 | \$100,000 |
| Less salary sacrifice | \$0 | -\$35,000 |
| Plus WISP payments (received tax free) | \$0 | \$22,300 |
| Less income tax payable (including Medicare)* | -\$26,700 | -\$14,000 |
| Net income | \$73,300 | \$73,300 |

* Tax payable includes the Flood Levy and Low Income Tax Offset. Also assumes John has private health insurance.

Overall, the benefit to John from salary sacrifice and taking a Working Income Support Pension is:

| Overall benefit from salary sacrifice and Working Income Support Pension: | |
|---|----------|
| Savings in personal taxes (i.e. \$26,700 less \$14,000) | \$12,700 |
| Less superannuation contribution tax (i.e. \$35,000 x 15%) | -\$5,250 |
| Plus maximum potential tax saving on investment earnings [^] | \$4,500 |
| Overall net saving annualised | \$11,950 |

[^]The potential tax savings arise from converting an accumulation balance (which pays tax of up to 15% on investment earnings) to a pension where investment earnings are tax free.

Assumptions:

John has invested his WISP in the Balanced investment option, which would reasonably be expected to return around 6% over the long term. This rate of return is not guaranteed and may be positive or negative in any given period. John will continue to receive SG contributions on his total salary and no other income, deductions or offsets have been taken into account.

Please note that where growth is nominal or negative, the tax benefit would be reversed, resulting in a better outcome from superannuation being retained in accumulation. The outcome will vary depending on gross income, pension payments, and salary sacrifice amounts.

John's current concessional contribution cap is \$50,000 pa, reducing to \$25,000 from 1 July 2012 (pending Government budget initiatives which would increase cap by \$25,000 for members with less than \$500,000 in super).



As you approach retirement, it's worth seeking advice about how to optimise your transition to retirement - contact Member services to make an appointment with an affiliated financial planner

For more information, refer to the Allocated Pension and Working Income Support Pension Member Guide (available from the website or by contacting Member Services)

Using a transition to retirement strategy, John can maintain his net income, increase his contributions to super and reduce the tax payable.

Future steps

John should review his plan in 12 months to ensure that he continues to maximise his super balance without exceeding the super contribution caps which are set to reduce to \$25,000 per financial year from 1 July 2012.

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