

▶ Transitioning to retirement

Greater life expectancies mean that we're spending longer in retirement - as a result, many people choose to remain in the workforce for a little while longer.

To offer you flexibility and choice, the Government provides the opportunity to transition to retirement. Once you reach your preservation age, you can cut back your working hours and access your super by starting a transition to retirement pension.

A transition to retirement strategy is an interesting opportunity because it strikes a good balance between cutting back on work without having to change your lifestyle. A transition to retirement pension strategy may also offer tax benefits.

A transition to retirement pension eases you into retirement by allowing you to reduce your working hours without reducing your income

You've reached your preservation age - what next?

Once you've reached this important milestone, you can access your super as a transition to retirement pension.

Maritime Super offers the Working Income Support Pension (WISP) for this purpose. It has been designed to let you retire on your terms by providing a flexible, tax-effective income stream.

There are two main ways you can implement a transition to retirement strategy:

1. **continue to work full-time** and boost your super for when you retire, taking advantage of tax breaks; or
2. **reduce your working hours to enjoy more of life** without reducing your standard of living by supplementing your salary with an income stream.

How it works

You transfer part of your super into a WISP and draw on it as a pension.

With this strategy, you have two separate accounts:

1. **you keep your super account** to receive contributions from your employer as well as any contributions you'd like to make (such as salary sacrifice contributions)
2. **you set up a separate pension account** with some of your super savings, which then provides an income stream in the form of a regular pension payment.

You can start a WISP with as little as \$30,000.

Advantages of a transition to retirement pension

There are many advantages of implementing a transition to retirement strategy, including:

- **having more time to** spend doing the things you enjoy most.
- **you can boost your super** while you continue to work by making salary sacrifice and after-tax contributions, which can really make a big difference to your retirement nest egg
- **your employer contributes to your super**, and will continue to do so while you are working
- **your pension income is favourably treated for tax purposes.** If you're aged 60 and over, your super pension is tax-free and if you're between 55 and 59, the taxable component is taxed at your marginal tax rate and receives a 15% tax offset
- **your WISP is flexible** and can be changed if your circumstances do. For example, you can change the way your WISP is invested, you can change the amount and frequency of pension payments (subject to minimum and maximum amounts) and (if desired) you can close your WISP and revert back to your accumulation account.
- **earnings on your WISP balance are concessional tax** up to 15% in the Fund while in accumulation phase and are tax-free in retirement phase (you are over 65, retired or permanently incapacitated)

A WISP counts towards your total superannuation balance and when in retirement phase will count towards your transfer balance cap.

There are minimum and maximum amounts that you can withdraw from your WISP each year

The amount you withdraw from your WISP must be within Government-set limits (there's a minimum and a maximum amount that you can take).

Extension to reduction in minimum drawdown amounts

The Government has extended the temporary reduction in minimum drawdown rates for super income streams for a further year to 30 June 2022.

The table below sets out the minimum percentage factors:

Age	Minimum drawdown rates	Reduced rates by 50% for 2021/22 (OPTIONAL)
Under 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95 or more	14%	7%

You cannot withdraw more than 10% of your WISP balance in a year.

How is your WISP income taxed?

If you're aged between 55 and 59

Your WISP payments are taxable at your marginal tax rate plus the Medicare levy, with a 15% tax rebate on the taxable component.

If you're aged over 60

You pay no tax on your WISP payments.

Who does a transition to retirement pension best suit?

A transition to retirement strategy best suits those who:

- are in a higher marginal tax bracket** - if you are salary sacrificing more than you draw from a pension, you can take advantage of tax savings. You'll benefit if the tax you pay on your salary sacrifice contributions (15%) is less than your marginal tax rate, and these tax savings are turned into extra super
- wish to minimise erosion** of your retirement savings - by using part or all of your super to start a WISP in conjunction with salary sacrificing into your accumulation account, you can minimise erosion of your savings because you are topping up your super while drawing a pension
- are over 60 years of age** - it's a particularly tax-smart strategy once you turn 60 because your pension payments are tax-free.

Next step: transition to retirement checklist

We realise there's a lot to think about so, to help you get started, here's a list of things that you should do when planning your transition to retirement. These tasks don't need to be completed in any particular order, but if you can check them all off your to-do list, you're on track to a hassle-free retirement!

- Set a retirement date
- Know exactly how much you have saved
- Work out how much you will need each year to live comfortably (our *Funding a comfortable retirement fact sheet* can help you calculate this)
- Determine whether you will transition to retirement, or fully retire
- Make additional contributions to your super (both salary sacrifice and after-tax)
- Combine all of your super accounts to boost your super and manage it more efficiently
- Find out what your Centrelink entitlements are
- Meet with a financial planner to ensure that your retirement plan is on track



Toll Free
1800 757 607



Website
www.maritimesuper.com.au



Email
info@maritimesuper.com.au