

# A super transition to retirement

**George Burns once said: “Retirement at 65 is ridiculous. When I was 65, I still had pimples.”**

When the retirement date was first set, life expectancy for retirees was just a couple of years past 65. Of course, times have changed – life expectancy has soared and as a consequence people need more money to fund their retirement.

To encourage us to save more, the government has introduced legislation that allows more flexibility in how and when we retire. The legislation is very beneficial for pre-retirees, and if you’re close to or over 55, you should find out how it affects you.

## How does it work?

If you’ve reached preservation age<sup>1</sup> you can now access your super (in the form of an income stream) while still at work.

An income stream is a pension payment from your super fund. To set up an income stream you’ll need to purchase an allocated or complying pension – your adviser can help you choose the most appropriate option.

<sup>1</sup> The age at which you’re retired and can access your benefits. It ranges between 55 and 60, depending on your date of birth.

Using the income stream to support you will give you **more options** such as:

1. You could take it easy and work part time close to retiring, and use the income stream to ‘top up’ your income.



2. Or you can live off the income stream and salary sacrifice much more of your salary. This option can substantially boost your retirement savings as:

- you’ll pay just 15% tax on your salary sacrificed contributions, instead of your marginal tax rate; and
- you’ll contribute more funds overall, resulting in a higher super balance at retirement.

## Other benefits

**Fund your own retirement** – Having more super means you’re less reliant on the age pension, decreasing the risk if the pension is cut in the future.

### Eliminate Superannuation

**Earnings Tax** – Once your superannuation has moved to pension phase, you’ll enjoy a 0% tax rate on all income and capital gains earned by your super.

**Social impact** – older Australians have valuable skills and much to contribute to the workforce.

### Super policies go hand in hand

If the transition to retirement strategy significantly raises your super balance, you could consider using super splitting (splitting your super contributions with your spouse) to help with tax and RBL issues.

## The importance of wealth advice

With wealth advice, the structure of your financial strategy can make all the difference. For example, the extra funds you’ll build by using the above strategies will be in addition to any gains from the performance of your super fund.