Keeping in Touch
your monthly update
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Are you ready to transition to retirement?

The start of each financial year is always a good time to review your financial plan.
For those considering retirement in the not-too-distant future now is also a good time to review your income strategy to ensure it continues to meet your needs.

The minimum and maximum withdrawal limits for account-based pensions are adjusted on 1 July each year based on the member's age.
This makes it easier to assess whether a transition-to-retirement (TTR) income stream is a strategy worth considering as you move towards retirement.

Who is eligible to start a TTR?

If you're under 65 and still working, you are able to start a TTR income stream once you reach your preservation age.
The preservation age for most people nearing retirement is age 55 however it depends on the year in which you were born.

With proper planning, a TTR is a powerful retirement strategy from which you can benefit for up to 10 years so it is worth discussing with your financial adviser.

How does a TTR work?

Once you've reached your preservation age, the first step in starting a TTR is to move some of your super into an account-based pension. You'll find most accumulation super funds offer an account-based pension however if your super fund doesn't, you'll need to set up a pension account with a fund that does.

You then must withdraw between 4-10% of the balance in your pension account each financial year as regular income and as a TTR is a pension, you have to take this as regular instalments and not as a lump-sum.

How do you get the most out of a TTR?

There are two main ways that you can use a TTR:

Ease into retirement - a TTR allows you to reduce your working hours, while keeping your income the same by drawing on your super.

Many people like the mental challenge and social side of work and so TTRs allow you to scale back your time at work, while still maintaining the same level of income.
The main benefit here is that, as you ease yourself into retirement, the investment earnings on your pension account are tax free, potentially increasing the returns on your super.

You may also find that, you'll benefit from some tax savings due to tax on your super being lower than your marginal tax rate.

Boost your super - if you want to keep working full-time, you can use TTR to access some pension income to boost your retirement savings through salary sacrifice contributions.

This strategy involves moving the bulk of your super into an account-based pension which means you'll benefit from higher investment returns as earnings in a pension account are tax-fee.

You then can salary sacrifice some of your income into super, with your reduced income being supplemented by income withdrawn from your account-based pension.

With this strategy, while your income stays the same, it's likely that your super balance will be higher when you eventually stop work.

There are also some tax savings that you may be able to take advantage of along the way which also increase when you reach age 60.

The importance of planning

Transition-to-retirement strategies are complex and the way in which you use one will depend on your retirement plans, your income needs and whether your super fund has an account-based pension available.

There are some taxation and life insurance implications that you'll also need to consider, as well as the ongoing impact if you or your partner are receiving social security benefits.

While the benefits of a TTR strategy are clear, a financial adviser can help you to decide if it is an appropriate income strategy for you as you near retirement.

To find out more, please contact us for an appointment.

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