

Transition To Retirement (TTR)

Are you in the 60 – 70 age bracket and not looking at retiring but would like to receive some income from your superannuation fund? Then you should contact Inventure to find out how we can help you establish a retirement finance plan – Transition To Retirement (TTR) that is tailored to your specific needs and will provide you assistance to set this facility.

A Transition To Retirement (TTR) Allocated Pension caters for people who are of preservation age and want to remain in full time or part time employment, but wish to also receive some income from their superannuation.

Unlike the Allocated Pension (AP), with a Transition To Retirement, no lump sum payments or commutations are available (until after you retire). The choice is yours regarding the frequency of your pension payments. There is a minimum (annual) payment restriction dependent on your age, however unlike the AP, there is a maximum payout restriction of 10% per annum.

Case Study: George, recently celebrated his 60th birthday and commenced a TTR pension through his self-managed super fund (SMSF). His account balance in the SMSF at the time was \$500,000 which entitled him to an annual (tax-free) pension of between \$20,000 (4% of balance) and \$50,000 (10%). He had previously been receiving a salary of \$70,000 from his company which would have attracted income tax of \$16,650, giving him an annual cash salary of \$53,350 (\$1,025/week in his pocket). As he chose to withdraw \$40,000 tax-free a year from his SMSF as a TTR, he was able to salary sacrifice \$50,000 extra into super from his company. As we know, super contributions are taxed at 15% on entry so his super account balance actually had the following movements: Opening balance: \$500,000 less \$40,000 pension, add extra salary sacrifice \$50,000, less contributions tax \$7,500 = Closing balance: \$502,500. His taxable income is now reduced to \$20,000 which reduces his personal tax down to \$1,800, so his net cash from pension and salary is \$58,200 (\$1,120/week). In summary, George's net superannuation investment balance is actually increasing (subject of course to investment performance, but George was smart enough to seek appropriate advice from qualified advisors) and he is receiving more cash in his hand than he was before. Overall tax paid (in and out of super) reduced from \$16,650 to \$9,300 (a \$7,350 per year saving).

To discuss whether a similar strategy may be available to you, contact Inventure to arrange a confidential and obligation free consultation.