

How to establish a TTR strategy

The hardest thing for individuals to do is to work out how much pension income they need to take and/or how much they should salary sacrifice, as restrictions apply.

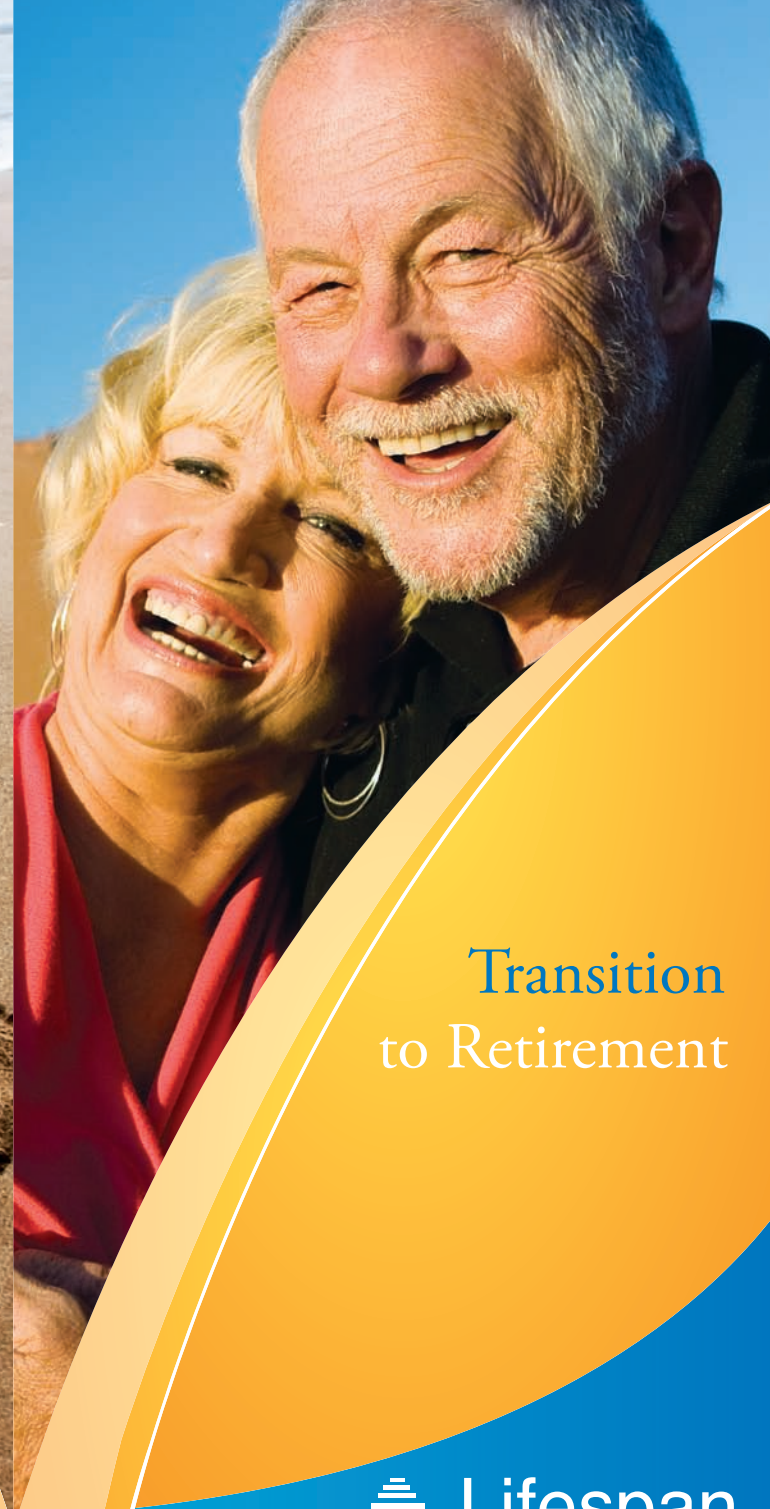
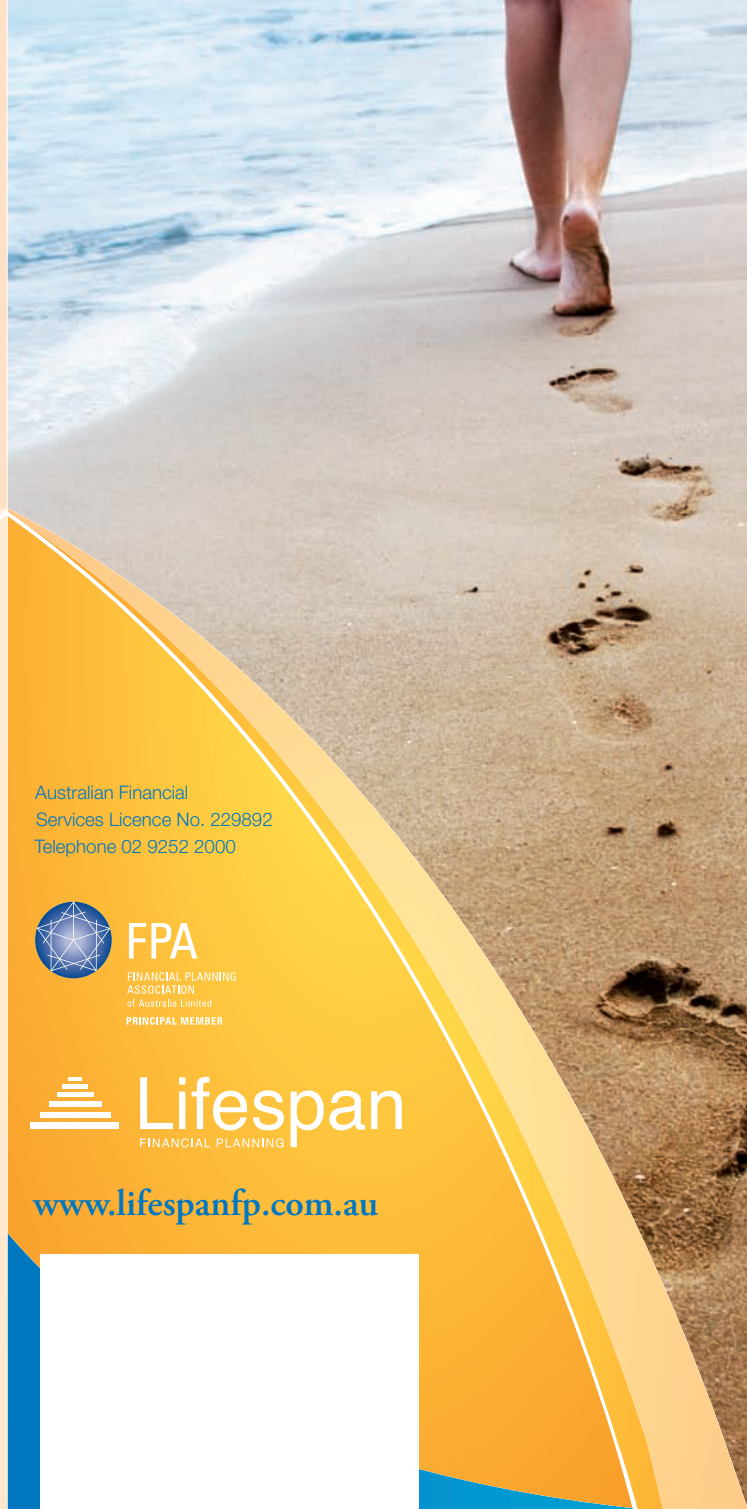
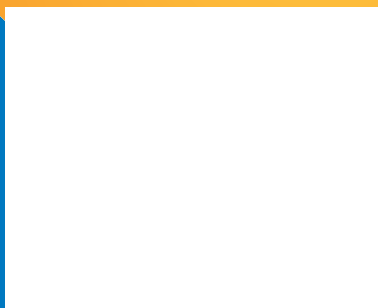
Why not seek the advice of your Lifespan Financial Adviser to discuss your overall financial situation – this will ensure that a retirement planning strategy is tailored to your personal needs.

Disclaimer: The material provided in this document is provided for information only and constitutes general financial product advice. It does not take into account your personal financial situation, objectives and needs. Consequently before acting upon the information in this brochure you should consider its appropriateness to your financial situation, objectives and needs.

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Transition to Retirement



Would you like to boost your retirement savings without reducing your net income?

If you are aged 55 and over, a Transition to Retirement strategy may be the solution for you. You may also be able to reduce your working hours too!

What is Transition to Retirement (TTR)?

In 2005 the Federal Government introduced legislation which made it easier for individuals aged 55 and over who are still working to access their preserved superannuation benefits by the introduction of an additional condition of release known as the transition to retirement condition of release.

How does Transition to Retirement work?

Boost your retirement savings by establishing a salary sacrifice agreement directing a portion of your pre-tax salary as additional contributions to superannuation and convert a portion or all of your superannuation benefits to a non-commutable Account Based Pension,

OR

Work less hours and supplement your income by establishing a non-commutable account based pension using all, or a portion of your superannuation benefits.

Case Study

Graham has just turned 55 and would like to boost his superannuation savings. His gross salary is \$70,000 per annum and he requires \$50,000 net per annum to meet his regular expenditure. Graham has accrued superannuation benefits of \$400,000 (100% taxable) and his employer currently contributes 9% SG (\$6,300) per annum to superannuation on his behalf.

The following table demonstrates the benefits of establishing a TTR strategy.

Cash Flow – Year 1	Do nothing	Establish a TTR
Gross Salary	\$70,000	\$70,000
Less Salary Sacrifice	0	\$30,000
Account Based Pension	0	\$20,000
Assessable Income	\$70,000	\$60,000
Tax Payable (inc 1.5% Medicare levy)	\$16,650	\$13,500
Less 15% Rebate	0	\$3,000
Net Tax Payable	\$16,650	\$10,000
Net Income	\$53,350	\$50,000
Overall Tax payable		
Personal	\$16,650	\$10,000
Superannuation Contributions Tax	\$ 945	\$5,400
Overall Tax payable	\$17,595	\$15,400
Projected Superannuation Benefits *		
Year 10 (age 65)	\$888,650	\$1,090,288
Assumptions:	Salary Indexed at 5%	
	Expenditure Indexed at 2.7%	
	Rate of return: 7.9%	
	Excluding upfront and ongoing fees	
Restrictions:	Access to capital is restricted until a condition of release is satisfied.	
	Pension payments limited to minimum of 4% and a maximum of 10% of account balance. A concessional (taxable) contributions cap of \$100,000 applies for those > age 50 to 30/06/12. From 01/07/12 an indexed \$50,000 cap will apply.	

Outcomes

If Graham elects to establish a TTR strategy his superannuation capital is forecast to grow to \$1,090,288 at age 65 compared to \$888,650 if he does nothing. He will also reduce his level of taxation along the way.

An added bonus is that at age 60, Graham will pay no tax on his \$20,000 pension income which means he will have more disposal income at his finger tips. At that time Graham may consider building up assets outside of the superannuation environment, or he could increase his level of salary sacrifice to further increase his wealth in a tax effective manner.

Projected Superannuation Benefits after 10 years

