

# TRANSITION TO RETIREMENT FACTSHEET

## What is a Transition to Retirement Pension?

If you have reached your preservation age but have not yet retired you can establish a Transition to Retirement Pension.

Transition to Retirement is a strategy that allows you to roll some or all of your superannuation into a non-commutable income stream whilst still working. 'Non-commutable' means you generally cannot access lump sums from the pension until you reach retirement. The income stream is a form of account-based pension, which we refer to as a Transition to Retirement Pension.

This means you can continue to work part time or even work full time and use your Transition to Retirement Pension to supplement your income as you near retirement.

## Am I eligible?

To be eligible you need to have reached your preservation age as outlined in the table below.

What is your preservation age?

When you were born	Preservation age
Before 01/07/1960	55
01/07/1960 – 30/06/1961	56
01/07/1961 – 30/06/1962	57
01/07/1962 – 30/06/1963	58
01/07/1963 – 30/06/1964	59
01/07/1964 or after	60

## What are the advantages?

Establishing a Transition to Retirement pension account offers many benefits including:

- You can use your Transition to Retirement pension income to supplement your work income;
- You may be able to continue to save for your retirement through salary sacrifice and after-tax contributions if you continue to work while receiving this pension;
- Returns made on your Transition to Retirement pension are tax-free while it remains invested within your pension;
- When combined with salary sacrificing the Transition to Retirement Pension can assist with reducing your overall tax liability; and
- A 15% tax rebate is available on the taxable component of your Transition to Retirement Pension income.

Although Transition to Retirement pensions are available from preservation age, depending on marginal tax rates, the biggest benefits are experienced by:

- Members over 60 years of age as the income is tax free;
- Higher superannuation balances as you can only draw a maximum of 10% of your pension account balance; and
- Members looking to reduce their tax.

## What are the disadvantages?

- You cannot withdraw a lump sum from your pension until you permanently retire.
- There is a minimum and maximum amount you can withdraw, with 10% of the balance at 1 July each year being the maximum for that year.
- There are complex taxation and cash flow considerations that need to be addressed prior to implementation. For example, recent changes to the Concessional Contribution Cap may mean that some members could exceed the new cap and incur higher taxes on their contributions.
- Ongoing employer contributions may not be enough to cover the amount you are drawing down as a pension, which may cause your benefit when you permanently retire to be lower than it would have been had you not undertaken a transition to retirement strategy.

Continues overleaf

## How does it work?

You need to decide if you want to convert all or just some of your superannuation funds to a Transition to Retirement account. When doing this you need to keep in mind that you can only draw a maximum of 10% of your account balance each financial year.

If you are aged between 55 and 59 the pension payments you receive are taxable, but a tax offset reduces the tax rate applied to these payments.

If you are aged over 60 when you commence the income stream then no tax applies to the income payments from your Transition to Retirement pension account.

## Is a Transition to Retirement Strategy suitable for me?

Everyone's situation is different and while a Transition to Retirement strategy can provide benefits, there are tax and cash flow issues that need to be carefully considered.

Before implementing a new financial strategy, it is best to review your situation with a financial planner.

MAP Financial Planning<sup>1</sup>

MAP Financial Planners assist individuals to achieve their full financial potential working with them to develop personalised investment strategies. Such strategies take into account where you are now and offer tailored solutions to help achieve financial goals.

MAP Financial Planners are experienced in providing personalised advice and are paid a salary. They provide advice on a wide range of products and strategies including salary packaging, retirement planning and wealth creation.

<sup>1</sup> MAP Financial Planning Pty Ltd ABN 91 090 411 537 AFSL No. 239117 is a wholly owned subsidiary of MAP Funds Management Ltd ABN 85 011 061 831 AFSL No. 240753.

## About MAP

A "Profit for Members" fund established by Doctors over 50 years ago to meet the superannuation and investment needs of medical and allied health professionals. MAP quickly grew to become the Superannuation Fund of choice for many Medical Professionals throughout Australia. In 1992, due to a growing demand for acceptance from other professions MAP became a Public Offer Entity.

MAP has evolved to now provide a broad range of comprehensive, specialist and individually tailored financial, investment and retirement planning services through MAP Financial Planning and the MAP suite of products.

Doctors are still a majority on our Board and thankfully a few of MAP's first members are still with us as we continue to offer the care of professionals to the professionals who care.

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