

## TRANSITION TO RETIREMENT PENSION

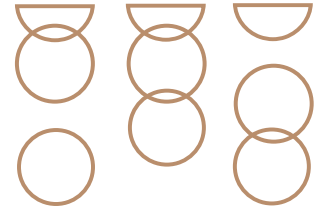
A "Transition to Retirement" pension allows you to utilize the savings you've accumulated in your superannuation fund to supplement your income from work before you reach full retirement.



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Disclaimer: The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.

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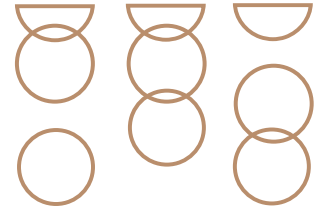
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## Benefits

- This pension can enhance your income if you opt to reduce your working hours.
- By combining a Transition to Retirement pension with a Salary Sacrifice arrangement, you can increase your retirement savings.
- If your marginal tax rate exceeds the Superannuation tax rate, this approach can potentially boost your effective earnings rate on your superannuation savings.

## How it works

- You can only initiate an income stream once you've met a condition of release. However, Transition to Retirement is a condition of release that permits you to start a non-commutable Account Based Pension with your superannuation funds before retiring, provided you've reached your preservation age.
- There are yearly minimum and maximum withdrawal limits. This pension is non-commutable, meaning you cannot make lump sum withdrawals.
- If you wish to reduce your work hours, you can use the pension to supplement your income or replace your employment income.
- If you continue to work full-time, combining a Transition to Retirement pension with a salary sacrifice arrangement can reduce overall taxation while maintaining your disposable income level or directing more of your salary toward boosting your retirement savings.
- The Salary Sacrifice strategy allows your salary to be taxed at the superannuation tax rate within the fund (provided you don't exceed concessional contribution caps and aren't considered a high-income earner), and income drawn from the Account Based Pension is also taxed favourably. This is particularly advantageous if you're over 60 and can withdraw tax-free income from the pension.
- Account Based Pensions provide tax-effective income because:
  - Pension income is tax-free from age 60.
  - Pension income is taxable between preservation age and age 60, with a 15% tax offset to reduce tax payable.
- Your pension account balance fluctuates with investment earnings, pension payments, negative returns, fees, and charges, ultimately determining how long it will last.



## Pension Income

Account Based Pensions offer flexibility in adjusting your annual income amount. However, until you meet a full condition of release, you're limited to withdrawing between 4% and 10% of the balance at commencement (in the first year) or at 1 July in subsequent years.

Once you meet a full condition of release, your Account Based Pension becomes fully commutable, allowing you to take withdrawals and any amount of pension income above your age-based minimum.

## Taxation of Your Pension Income

When you start an Account Based Pension, the balance is divided into a taxable component and a tax-free component based on your superannuation account's pre-pension split.

Under age 60, the taxable component is included in your assessable income with a 15% tax offset for those over preservation age. At age 60 and above, all pension income is tax-free.

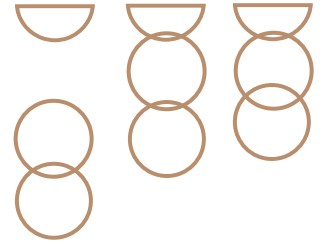
## Centrelink

If you or your spouse receives a means-tested payment from Centrelink/Veterans' Affairs, the Account Based Pension is assessed under deeming rules unless it commenced before 1 January 2015. Some older pensions may be assessed under potentially more favourable deductible amount rules.

The account balance of an Account Based Pension is considered an assessable asset.

## Key Considerations

- Accessing your superannuation now reduces your retirement funds unless you supplement it with a Salary Sacrifice arrangement.
- Your Account Based Pension is not guaranteed, and payments are contingent on available funds. There's a risk of cessation or reduction if you withdraw income too quickly or experience poor investment returns.
- If you want to claim a tax deduction for personal superannuation contributions in the current year, you must submit a notice of deductibility form to your superannuation fund before rolling over to start an Account Based Pension.
- The minimum pension required for the financial year is pro-rated when you start or stop your Account Based Pension in that year.
- Additional tax may apply to your concessional contributions if your income exceeds the high-income threshold.



- Failure to take the required minimum income may result in tax on account earnings for the entire year. Different consequences may apply if your pension is managed by a self-managed superannuation fund.
- If you're a Centrelink/DVA customer, you must notify Centrelink/DVA within 14 days of starting the pension, as it may affect your payments or account balance.
- Government legislation regarding Account Based Pensions may change in the future.
- Be aware of any fees associated with rolling over funds to start an Account Based Pension by checking your Statement of Advice and the Product Disclosure Statement (PDS) for your fund.

## References

You may wish to refer to the following websites for further information about Transition to Retirement:

- [www.moneysmart.gov.au](http://www.moneysmart.gov.au)
- [www.ato.gov.au](http://www.ato.gov.au)