Unlock your super while you're still working
(Transition to Retirement)

Draw a tax-effective income from super to maintain your lifestyle

- ☑ Are you aged 55 or over?
- ☑ Would you like to boost your retirement savings tax-effectively while you're still working?
- ☑ Would you like to wind back your work hours without winding back your lifestyle?

How does it work?

Everyone has their own goals heading into retirement. Some would like to make a gradual transition by reducing their working hours. Others are looking for ways to boost their super while they're still working full time.

If you've reached your preservation age (which ranges between 55 to 60 depending on your date of birth), a Transition to Retirement (TTR) strategy can help you meet either of these objectives – allowing you to top up your regular income with pension income from your super.

If you're under age 65 and still working, the amount you withdraw must be between 4% and 10% of your super account balance each financial year, and you generally cannot withdraw money as a lump sum.

What does it mean for me?

There are two main ways you may be able to use a TTR strategy.

1. Transition to part-time work without reducing your income

If you reduce your working hours leading into retirement, a TTR strategy can help you supplement your reduced salary with tax-free or tax-effective income payments from a TTR pension.

In other words, you're working less, but receiving the same income, and you may be paying less tax while you're at it.

Naturally this variation of the TTR strategy is likely to result in less retirement savings (as you are starting to draw on your super) than if you continue to work full time, so you need to carefully consider your circumstances before taking this option.

2. Tax-effectively boost your retirement savings while you're working full time

If you're still working full time, you may be able to contribute some or all of your pre-tax salary into super and withdraw a tax-effective TTR pension to make up for the reduction in your take-home pay.

When you contribute some of your pre-tax salary into super, it is generally taxed at a flat rate of 15% by the super fund, provided the amount contributed is within your concessional contributions cap. This cap is $30,000 for 2015/16 and for those aged 50 or over at any time in the financial year the cap is $35,000.[1] Concessional contributions include superannuation guarantee and salary sacrifice contributions made by an employer, and personal contributions claimed as a deduction by an eligible person (which broadly are those who are self-employed or are generating less than 10% of their total income from an employer source).

While you're still working full time, this tax rate will potentially be lower than your marginal tax rate had you received this money as salary – helping you reduce your tax bill and boost your retirement savings.

We strongly recommend you seek advice specific to your individual circumstances before implementing a TTR strategy.

How do I know if I qualify?

To qualify under TTR rules you must have reached your preservation age, as per the following table:

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

1. To meet this qualification you need to be age 49 or above on 30 June 2015.

Strategy in action

Ian is 60 years old, earns a full-time salary of $100,000 p.a. and has $300,000 invested in super. He wants to boost his retirement savings in a tax-effective manner, but he doesn't want to reduce his after-tax income.

Currently, Ian is paying $26,947 in income tax – giving him an after-tax income of $73,053. The following table shows the difference it would make if Ian decides to do the following in 2015/16:

- Salary sacrifice $25,500 ($9,500 already being contributed by his employer as Superannuation Guarantee).
- Start a TTR pension with his $300,000 super balance.
- Draw $15,803 from the TTR pension, which is within the 4-10% range allowed in 2015/16 and results in no change in overall after-tax income.

	No salary sacrifice	Salary sacrifice
Salary	$100,000	$100,000
Salary sacrifice contributions	$0	$25,500
Taxable income	$100,000	$74,500
Income tax payable	($26,947)	($17,250)
Take-home pay from employer	$73,053	$57,250
TTR income (tax-free)	$0	$15,803
After-tax income	**$73,053**	**$73,053**
Tax on salary sacrifice contributions (15%)	$0	($3,825)
Total tax payable	($26,947)	($21,075)
Overall saving		**$5,872***

* 2015/16 income tax rates used

As a result of this strategy, Ian's take-home pay remains unchanged. However, this strategy has given Ian a total saving of $5,872, which will help him grow his retirement savings.

Remember too that any earnings on the assets supporting Ian's TTR pension are now tax-free. This compares favourably with the 15% tax on earnings that would otherwise be payable had the funds remained in the accumulation phase.