

## Transitioning to retirement (13) BONUS

Thinking about easing into retirement while maintaining your lifestyle? A transition to retirement (TTR) strategy may help by allowing you to access part of your super as a regular income stream while you continue working.

### How a TTR strategy works

If you've reached your preservation age (now 60) and you're still working, you may be able to start a TTR pension. This involves transferring some of your super from an accumulation account into an account-based pension (ABP) to provide a regular income stream.

It's often worth leaving some money in your super accumulation account so you can continue to receive your employer's superannuation guarantee (SG) contributions and make any voluntary contributions you choose.

A TTR strategy is commonly used to:

- Supplement income if you reduce your working hours, or
- Build retirement savings and potentially reduce tax while continuing to work.

### Option 1: Reduce work hours and top up income

If you want to ease into retirement, a TTR pension can help replace some of the income you give up by reducing your hours.

Potential benefits include:

- Flexibility to cut back at work without fully retiring
- Ongoing SG contributions, which may help offset pension withdrawals
- Tax-effective income (see below)

### Option 2: Keep working and boost super (potential tax strategy)

If you keep working the same hours, you may use a TTR pension alongside making salary sacrifice or personal deductible contributions. The tax-free pension payments can help maintain your take-home pay while more pre-tax income is directed into super.

Potential benefits include:

- Build super as you approach retirement
- Contributions tax may be lower (concessional contributions are generally taxed at 15% in super, which may be less than your marginal tax rate)
- Tax-effective pension payments from age 60

### How much can you withdraw?

Each financial year, you generally must withdraw:

- a minimum of 4%, but
- no more than 10% of your TTR pension balance (based on the balance at the start of the financial year).

A TTR pension generally doesn't allow lump sum withdrawals unless you have met a condition of release (for example, permanent retirement).

#### **How are TTR pension payments taxed?**

- TTR pension payments are tax free this is because your withdrawals from super are tax-free after 60 and you must be at least 60 to start a TTR.
- Investment earnings on assets supporting a TTR pension are generally taxed at up to 15%, similar to super in accumulation phase.

#### **What happens when you retire permanently or turn 65?**

Once you've met a full condition of release (for example, you turn 65 or permanently retire and notify your fund), your TTR pension effectively becomes a standard ABP, and the 10% maximum withdrawal limit no longer applies (although minimum pension payments still apply). In addition, the earnings inside the pension become tax-free.

A TTR strategy can be useful, but it won't suit everyone. Getting financial advice can help you understand the benefits, costs, and how it fits your personal circumstances.