



Transition to retirement income streams How do they work?

They allow you to withdraw up to 10% of your superannuation savings in the form of a pension without needing to stop work.

Even if you're nearing retirement age you mightn't be looking to leave the workforce just yet. Maybe you want to save more money, or perhaps you enjoy the mental stimulation and interaction.

Whatever the reason, having access to a transition to retirement (TTR) income stream could provide greater financial flexibility, as you can periodically withdraw money from your super while continuing to work full-time, part-time or casually.

We answer some of the commonly asked questions, including how the tax treatment of TTR income streams changes from 1 July 2017.

What's a TTR income stream?

It's a type of pension that enables you to access some of your super via periodic payments, even if you're still working and receiving an income from your employer or business. To access your super this way, you must have reached your preservation age, which will be between 55 and 60, depending on when you were born.

See the table below to work out your preservation age.

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

Are there withdrawal limits?

You can only withdraw between 4% and 10% of your super savings each financial year. And, you won't be able to make lump sum withdrawals unless you meet certain conditions of release, such as retirement.

It's also worth noting the income you receive is based on the amount you have in your super, so you won't be guaranteed an income for life.

How are TTR income streams taxed?

Before 1 July 2017

Up to age 60, the taxable amount of your income from a TTR pension is taxed at your personal income tax rate, less a 15% tax offset. Then, once you turn 60, the income you receive from your TTR pension is completely tax-free.



Transition to retirement income streams continued

Because of the tax treatment that applies this means it's possible to withdraw low-tax income from your super and put a portion of your employment or business income into super via salary sacrifice or personal tax deductible super contributions, potentially reducing what you pay in tax each year.

Meanwhile, investment earnings on super fund assets that support a TTR income stream are currently tax free.

After 1 July 2017

While the current tax treatment of income you receive from a TTR pension will not change, the tax treatment of investment earnings on super fund assets that support it will change from 1 July this year.

Earnings on fund assets supporting a TTR income stream will be subject to the same maximum 15% tax rate that applies to super accumulation funds.

What other things should I consider?

The ability to commence a TTR income stream may present you with some useful opportunities.

For example, you could either work less, or work the same hours while sacrificing some of your salary into super. In both cases, you can use your TTR income stream to supplement any reduction in your take-home pay.

There are however numerous things to consider, particularly when it comes to weighing up your circumstances and properly assessing any potential tax implications.

These include:

- Talking to your super fund, as not all funds accommodate TTR income streams
- Figuring out if you want to reduce your work hours, or work full-time and salary sacrifice
- Thinking about your income sources and calculating your income needs

- Finding out what your government entitlements are, as there may be implications
- If you have life insurance through your super fund, checking it won't be affected.

What if I choose to retire?

If, after you reach your preservation age, you decide you'd rather retire from the workforce, you will have other options when it comes to your super.

You could:

- Take some or all of it as a lump sum –
 while this may be tempting, it won't be the
 best option for everyone and there may be
 tax implications to consider, particularly if
 you're under age 60.
- Move it into an account-based pension

 this will give you a regular income in retirement and you won't be limited to what you can withdraw. Note that new rules come into effect from 1 July. Talk to us if you need an update on how this could affect you.
- · Purchase an annuity
 - these generally pay a guaranteed series of payments over an agreed period. You will however be sacrificing some flexibility as you can't easily make lump sum withdrawals and life expectancy is also a consideration.

We're here to help

There are further changes to super around the corner. Talk to us about some of the potential opportunities you could take advantage of if you act before 1 July 2017.

For further assistance around whether a TTR income stream may be right for you, speak to us.

https://www.moneysmart.gov.au/superannuationand-retirement/income-sources-in-retirement/ income-from-super/transition-to-retirement

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