

FACT SHEET

TRANSITION TO
RETIREMENT

TRANSITIONING INTO RETIREMENT IS EASIER THAN EVER WITH THE OPTION OF ACCESSING YOUR SUPERANNUATION BENEFITS WITHOUT LEAVING YOUR JOB.



Why transition into retirement?

Making the jump from full time work to full time retirement is a big one, not only financially but emotionally as well. Retirement from full time work can result in depression, loss of connection with work friends, loss of identity and purpose. It is worthwhile considering if a transition to retirement would be beneficial to you and your situation. Transition to retirement becomes an option once a person reaches age 55 and it enables you to reduce your working hours from full time to part time while allowing you to maintain your standard of living by supplementing your now part time salary with a pension payment from your superannuation.

Ease your way into retirement

Transitioning into retirement is easier than ever with the option of accessing your superannuation benefits without leaving your job. Once you reach your preservation age (55 years of age for those born before 1 July 1960) you can reduce your work hours without reducing your income.

Once you commence a superannuation pension, minimum payments must be made at least annually. Depending on your circumstances your total annual payments may also be limited to no more than 10% of the account balance each financial year. This means you cannot take the benefit as a lump sum payment while you are still working.

With a Christian Super Transition Pension, you can convert your super to a non-commutable allocated pension (NCAP) whenever you want to reduce your working hours as you approach retirement.

Gain greater tax benefits by continuing full time work

While the intention of government legislation was to enable people to transition into retirement by working part time and drawing an income from their superannuation savings, even greater benefits may be gained by commencing a transition to retirement strategy and salary sacrificing while continuing to work full time, particularly if you are over 60 years of age.

It is important to note that the Transition to Retirement Strategy does not provide benefits in every situation. In particular, the strategy does not usually provide benefits for those under 60 years of age, with an income of \$35,000 or less, and a low superannuation balance. Please consider the examples on the following page.

WITH A TRANSITION PENSION, YOU CAN MAINTAIN YOUR STANDARD OF LIVING BY SUPPLEMENTING YOUR SALARY WITH PENSION PAYMENTS FROM YOUR SUPERANNUATION.

An opportunity to reduce tax and save

The benefits of a transition to retirement strategy can be threefold:

- Reduced tax through salary sacrifice i.e. benefit = (Marginal Tax Rate plus Medicare Levy minus 15% contributions) * Salary sacrifice amount. e.g. (30% + 1.5% - 15%) * \$10,000 = \$1,650 tax benefit
- 0% Tax Rate in Pension Phase versus 15% Tax Rate in Accumulation Phase e.g. \$500,000 superannuation balance earning 5% income equals \$25,000 income taxed at 15% = \$3,750 saving by holding the superannuation balance in pension phase
- Tax free income if 60 years of age or concessional tax income if 55 - 59 years of age

Example:

	No Salary Sacrifice	Salary Sacrifice	Transition to Retirement	Transition to Retirement
Age	55	55	55	60
Income	\$70,000	\$70,000	\$70,000	\$70,000
Less: Salary Sacrifice	\$0	\$35,000	\$35,000	\$35,000
Account-Based Pension	\$0	\$0	\$10,000	\$10,000
Total Taxable Income	\$70,000	\$35,000	\$45,000	\$35,000
NCAP Rebate	\$0	\$0	\$1,500	\$0
Income Tax	-\$15,810	-\$4,785	-\$6,435	-\$4,785
Contributions Tax	\$0	-\$5,250	-\$5,250	-\$5,250
Tax on Super Earnings*	-\$750	-\$750	\$0	\$0
Total Tax	-\$16,560	-\$10,785	-\$11,685	-\$10,035
Take Home Income	\$54,190	\$30,215	\$38,565	\$40,215
Net Change in Super Balance[^]	\$10,550	\$40,300	\$31,050	\$31,050
Net Outcome	\$64,740	\$70,515	\$69,615	\$71,265
Net Difference**	\$0	\$5,775	\$4,875	\$6,525

* Assumes a super balance of \$100,000, superannuation investment earnings of 5% and 15% tax on earnings

** Difference compared to the No Salary Sacrifice scenario

[^] Includes investment earnings of \$5,315 from superannuation balance and 9% employer contribution.

- **No Salary Sacrifice**—missing out on significant tax savings.
- **Salary Sacrifice without a transition to retirement strategy** saves tax however you need to ensure you have sufficient cash flow to live on
- **Transition to Retirement below 60 years of age** provides a benefit in the above scenario but a lower wage or a lower super balance may change this.
- **Transition to Retirement when 60 years of age** (including salary sacrifice) can provide the greatest benefit.

Things to consider

- Are you 55 years of age or over?
- Do you wish to reduce your working hours?
- Can your employer accommodate these reduced hours?
- What will you do with your free time?
- How will these reduced hours affect your income?
- Will you need to supplement your income with a pension from Christian Super?
- Can 10% of the value of your super provide you enough to continue to meet all your expenses?
- What is your personal marginal tax rate?
- Would salary sacrifice be appropriate for you?
- Can you continue to meet your expenses if you start to salary sacrifice?
- Will this affect your longer-term retirement plans?

Getting advice on transitioning to retirement

At Christian Super we want to assist you in practicing good financial stewardship. Financial wellbeing is achieved when you have compared and evaluated the relative merits of each of your options and choices so you can be confident that you are making the right decisions about your retirement income and savings.

Call the Christian Super Helpdesk on 1300 360 907 to speak to a professional Christian Financial Advisor.

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