



Transition to retirement fact sheet

How would you like to make the transition to retirement?

Many mature workers like the idea of reducing their working hours and making a gradual transition to retirement but until a few years ago, you couldn't do that unless you were willing to reduce your standard of living.

That's why the Government introduced the 'transition to retirement' pension. This pension allows many mature workers to reduce their regular working hours but draw on their super to maintain their level of income.

A 'transition to retirement' pension may also allow you to reduce your tax while you keep working full-time and then use these tax savings to further build your wealth.

Who is eligible for a 'transition to retirement' pension?

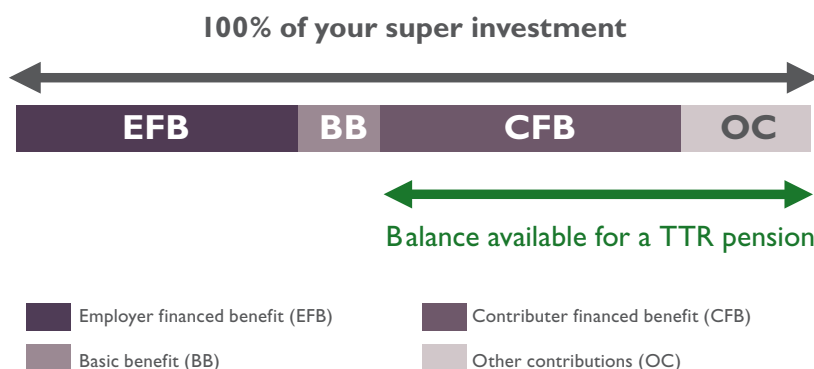
A 'transition to retirement' pension is only available to contributory members of the Retirement Scheme and to be eligible you need to have reached your 'preservation age'.

Your 'preservation age' is a specific age when your super benefits become payable and it is dependant on your date of birth:

Date of birth	Preservation age
Before 30 June 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
1 July 1964 and after	60

How does the 'transition to retirement' pension work?

As a member of the Retirement Scheme, the available balance you can access for your 'transition to retirement' pension is restricted to the balance of your Other Contributions account (OC) and the balance of your Contributor Financed Benefit (CFB).



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You can only access a non-commutable 'transition to retirement' account based pension. This means you cannot receive any lump-sum payments while you are still working until you reach the age of 65 years.

The maximum amount you can take as a pension payment each financial year is 10% of the available balance.

There is also a minimum amount you must at least take as a pension payment each financial year and this depends on your age.

The Government temporarily reduced these minimum payments to help people conserve their capital in the wake of the global financial crisis but these minimum payments will return to normal levels in the 2012/13 financial year:

	2011/12	2012/13
Under 65	3%	4%
65-74	3.75%	5%
75-79	4.5%	6%
80-84	5.25%	7%
85-89	6.75%	9%
90-94	8.25%	11%
95 and over	10.5%	14%

Are there any additional fees or charges?

Management fees for the Contributor Financed Benefit (CFB) component of your super are currently subsidised by your employer but if you take out a 'transition to retirement' pension, you will no longer receive this subsidy.

	Management fees	
	CFB	TTR
High Growth	0.45%	1.00%
Growth	0.42%	N/A
Balanced Growth	0.41%	0.97%
Balanced	0.36%	0.92%
Conservative	0.32%	0.88%
Cash	0.16%	0.72%

What are the tax implications?

Your age will determine the amount of tax you will pay on the income stream from your 'transition to retirement' pension.

If you are aged 60 and over, your 'transition to retirement' pension is tax-free but if you are between the ages of 55 and 60, your pension is taxed at your marginal rate however, you will receive a 15% tax offset.

This makes the 'transition to retirement' pension much more tax-effective for members aged 60 years and over.

Plus, any investment earnings you receive in the pension are tax-free. This means that with the same level of investment risk you can generally receive a higher return in a pension account than you would in your super account.

Would you like to reduce the number of hours you work?

Many mature workers like yourself would prefer to reduce the number of hours they work each week so they can better make the transition to retirement, but it is difficult to maintain the same standard of living on a part-time salary.

A 'transition to retirement' pension allows you to reduce your hours and then draw on your super to supplement your part-time salary, and at the same time continue to contribute to your super.

How would part-time work affect your Benefit Points?

Part-time employment reduces your take-home salary but not your Superable Salary. The accumulation of your Benefit Points will however, reduce in proportion with the reduction of the hours you work.

For example, if you contribute 6% of your salary and you reduce your working week by 40% from 35 to 21 hours, you will accumulate 3.6 Benefit Points per annum.

How to use a 'transition to retirement' pension to boost your Benefit Points

If you would like keep working full-time but want to increase your Contributor Financed Benefit (CFB), you can draw a 'transition to retirement' pension to boost your retirement savings. By taking advantage of the tax savings you can use the income stream from the 'transition to retirement' pension to increase your contribution rate up to 9 percent.

These additional contributions may also increase the number of benefit points you accumulate.

But you must be careful not to exceed your concessional or pre-tax contribution caps. The following types of contributions count towards your annual concessional contribution cap:

- Contributor Financed Benefit (1-9%)
- Notional Taxed Contribution (NTC), ie. your employer's contribution
- Additional Top-up contributions (includes 6.5%).

The cap on concessional contributions for people aged 50 years and over for the 2011/2012 financial year is \$50,000.

Starting from 1 July 2012 however, the \$50,000 cap will only apply to people aged 50 and over with super balances of less than \$500,000, and the cap will be \$25,000 for everyone else.

Is a 'transition to retirement' pension right for you?

There are a variety of factors you need to consider before taking out a 'transition to retirement' pension. That's why it's absolutely essential that you talk through all the options with your financial planner before making a decision.

And of course being a member of Local Government Super means that you can get professional financial planning advice at no extra cost.