



Financial planning for transition to retirement

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Introduction

Many people are unaware that upon reaching the required preservation age that they can access a portion of their superannuation without having to leave their employment via a tailored Transition to Retirement strategy (TTR). In addition, they can enjoy tax and other benefits as part of the process.

Our eBook will help explain what TTR means, who is eligible and how it can make a real difference to your financial position and lifestyle.



What is TTR?

TTR can be a sound strategy for those close to retirement, but who wish to continue working. It can allow you to use some of your superannuation as a pension and enjoy tax benefits ahead of your decision to retire completely.

Since July 2005, TTR legislation has allowed people who have reached their preservation age to access a portion of their superannuation as a regular income, even if you're still working full- or part-time.



How TTR works

TTR can work in two ways: flexible working and boosting super. As a result, your cashflow remains steady, while you pay substantially less tax.

Flexible working option

Once you have reached your preservation age you can reduce your work hours and draw a pension from your super fund to subsidise income. Ideally this means you can change from full- to part-time work while maintaining income and lifestyle.

Boost your super option

This option can be a powerful as it enables you to boost your superannuation balance with minimal impact on your cashflow. This is ideal for those that have reached their preservation age, but wish to continue working full-time.

It also allows you to make larger contributions to your super by giving you the tax benefits of salary sacrificing, while still being able to draw a tax effective income stream from a pension set up in your super fund.



Benefits of TTR

Extra income

Being able to access your superannuation can significantly increase your cashflow, particularly if you continue to work full- or part-time. The extra income can then be used to reinvest or fund lifestyle goals and dreams.

Boost your retirement income

A TTR strategy can give you tax and investment benefits that can increase the retirement savings in your super fund.

Flexible employment

A TTR strategy offers you the flexibility to work fewer hours as you can use the income drawn from your superannuation to supplement your income.



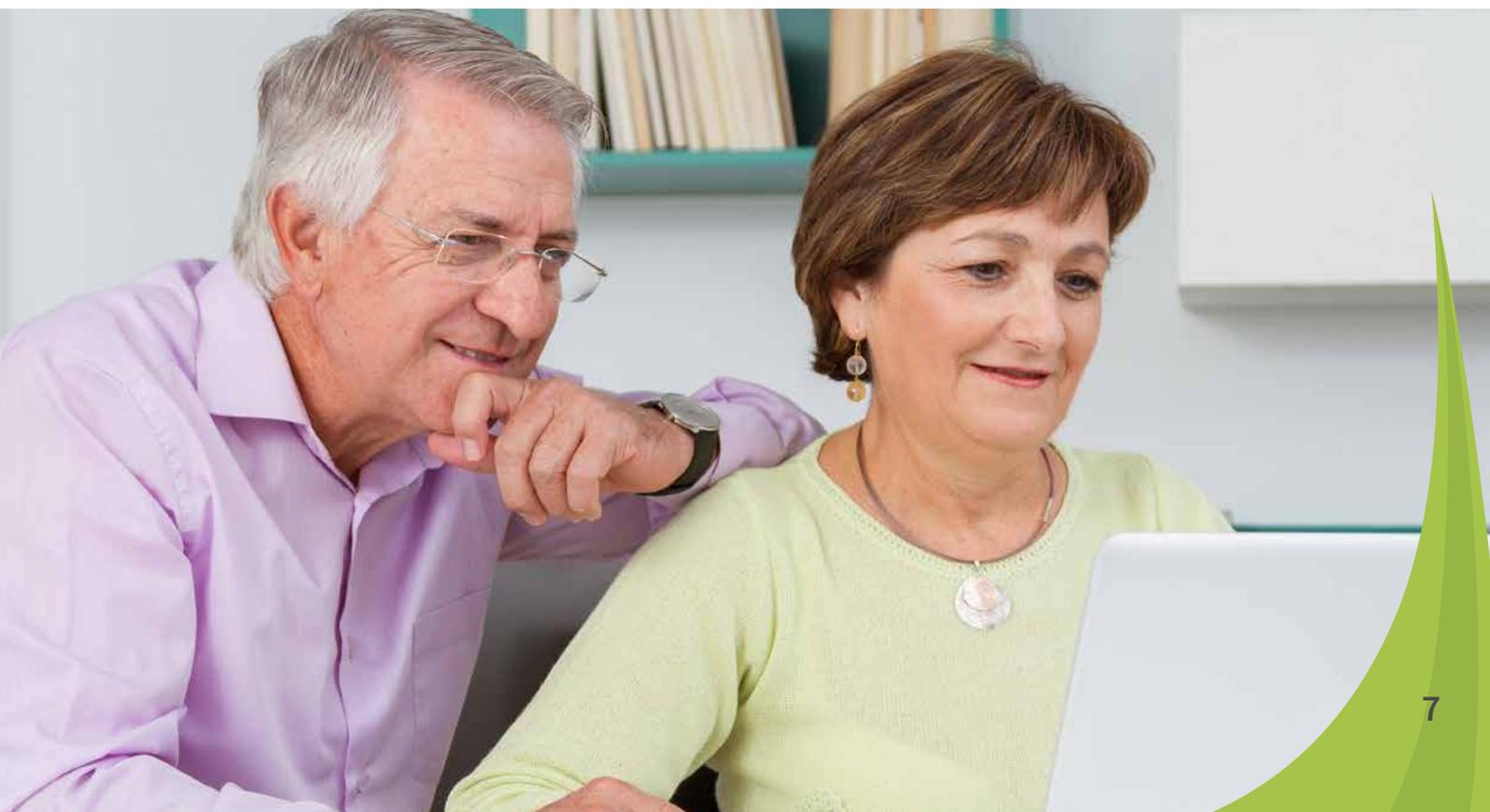
Eligibility

TTR is subject to eligibility criteria imposed by the Australian Taxation Office (ATO). A key factor is Preservation Age.

Preservation Age

This is the age you must reach before you are eligible to access your superannuation benefits through a TTR strategy. Your preservation age changes on a sliding scale dependent upon your date of birth.

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
From 1 July 1964	60



Considerations

While you may meet eligibility requirements, a TTR strategy may not be ideal for your situation. Before making a decision we encourage you to seek the advice of an experienced financial planner to help determine an appropriate approach for you.

Fewer work hours

Many people choose a TTR strategy when they have made the decision to reduce their work hours. What they may not have considered is whether their employer will allow them to make this transition. Even more fundamental, have you thought what you will do with your extra time?

Changes to your income

A TTR strategy via a reduction in work hours may still impact your income. Will the income from your superannuation be sufficient to make up for your reduced income? Will you be able to maintain the same standard of living?

Remember these decisions can have significant long-term implications. Do some calculations to see how accessing your super through TTR may affect your long-term income. As always, we recommend you consult a financial planner who can help clarify these questions.

Tax implications

A key benefit of a TTR strategy is that it can allow you to be taxed at a lower marginal rate. A strategy many adopt is to receive part of their income at a lower tax rate, while salary sacrificing part of their income to their superannuation fund. The salary sacrificed contribution is invested in pre-tax or gross dollars, while the only tax payable is contributions tax, currently 15 per cent paid by the super fund.



Case study: John's experience

John, a sales manager for a well-known telecommunications company, been with his organisation for 30 years. While having built a reasonable superannuation balance, he was keen to increase this before retiring.

Although he had reached Preservation Age, John had no immediate plans to reduce his working hours. John sought advice from a Financial Spectrum financial planner to help him boost his retirement savings.

The financial planner assisted John to develop a TTR strategy that allowed him to:

- Pay substantially less tax
- Rapidly boost his superannuation balance from \$500,000 to \$635,000 over a 10 year period
- Achieve both of these goals without any impact on cashflow

With these strategies in place, John has peace-of-mind knowing he will have substantially more funds available to him in retirement.



How Financial Spectrum can help

Now you've read this eBook you'll hopefully be more informed on some of the financial considerations and benefits around TTR. While planning for retirement can be an exciting time, it's critical that your strategy suits your specific needs. A financial planner can help you do this.

At Financial Spectrum, we can help guide you every step of the way on your financial journey. Our financial planners will always ensure you make informed financial decisions at all phases of your life.



About Financial Spectrum

Financial Spectrum is an privately owned financial planning practice. We develop tailored financial strategies to help you build your wealth and achieve your lifestyle aspirations.

We offer so much more than investing. We take the time to understand you and then help you make the right decisions to achieve the future you're aspiring to.

We can help you to:

- Plan for the future
- Build your investment strategy
- Grow your personal wealth
- Simplify your budget
- Minimise bad debt
- Increase your super
- Reduce your tax
- Protect your family

Let us help you take control of your finances, build your wealth and achieve your future lifestyle aspirations. Contact us for a complimentary, no obligation meeting today.





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