fact sheet

# Ease yourself into retirement

You may be able to ease yourself into retirement with a transition-to-retirement (TTR) strategy. When you reach your preservation age, you may be able to access your super benefits without having to leave the workforce permanently. This gives you the freedom and control to transition to retirement at your desired pace.

## What is transition to retirement (TTR)?

The TTR rules are designed to help you make a gradual transition to retirement, rather having to make the decision to either stay as a full time employee or retire straight away.

## How it works

On reaching your 'preservation' age, you can continue working (full or part-time) and access your super through a 'non-commutable' pension.

'Non-commutable' essentially means you cannot withdraw lump sum amounts; that you only receive a regular income – although there are exceptions.

Many super funds offer a non-commutable account-based pension and they can be referred to as 'transition to retirement account-based pensions'.

## What's your preservation age?

| When were you born | Your 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 |
| After 30 June 1964 | 60 |

## When can you withdraw a lump sum amount?

You will be able to withdraw a lump sum amount from your non-commutable account-based pension in certain circumstances, for example to pay an excess contributions tax assessment issued by the Australian Taxation Office (ATO).

You will also be able to withdraw a lump sum amount:

- When you retire permanently after reaching your preservation age;
- When you terminate an employment relationship after age 60 (even if you don't intend to permanently retire);
- When you reach age 65;
- If you become permanently incapacitated;
- If you die (in which case your dependants will receive a benefit).

## It's a good idea to speak to a licensed financial adviser

As a Qantas Super member, you have access to financial advice on a range of topics, including retirement planning. A licensed financial adviser will take into account your short, medium and long-term financial goals and your lifestyle needs before recommending appropriate retirement savings strategies for you.

More importantly a licensed financial adviser can determine the amount of savings you will require to meet your specific retirement income needs. To arrange a meeting with a licensed financial adviser or to find out more about the types of financial advice you can access, simply call the Qantas Super Helpline on 1300 362 967.

## What are the options

Leaving the workforce can change your life. It's a big step.

The 'transition to retirement' rules give you some freedom to take a series of smaller steps first.

1. Work less and use super to boost your everyday income.

> *"Now that I have reached my preservation age of 55, I want to spend less time in the office but also have enough money coming in to maintain my current lifestyle."*

This may be a great solution if you still love your work but want a few days off each week to begin your transition to retirement. You can reduce your work hours and supplement the reduced salary by receiving a regular income from a non-commutable account-based pension.

QANTAS SUPER

More information overleaf

## What are the options (continued)

**2 Work full-time and receive additional income.**

*"What I really need is maximum flexibility. I want a financial solution that will give me more income."*

*You can continue working full-time and commence a transition* to retirement account-based pension – you don't have to reduce your working hours. This extra income can be used to reduce your debt or improve your lifestyle.

**3 Work the same, build your nest egg further and access your super too.**

*"I'm happy to keep working the same hours, but need to give my retirement savings a 'boost' over the next few years."*

This option suits those who want to work the same hours and utilise smarter strategies to accumulate super. To do this, you just maintain your existing work hours, start a non-commutable account-based pension from your super benefits and then 'salary sacrifice' part of your regular salary back into super.

Depending on a range of factors such as investment performance, this lets you improve your nest egg before you decide to leave the workforce altogether.

## How it works in practice

Gino earns $65,000 per annum plus the 'superannuation guarantee' (SG) of 9.50% from 1 July 2014 ($6,175). He is debt-free and needs $32,000 a year for living expenses. He has the following assets:

1. His financial situation and capacity to fund retirement,
2. His lifestyle goals; such as what he wants to do leading up to and in retirement.

| | |
|---|---|
| Home | $280,000 |
| Car | $12,000 |
| Bank | $8,000 |
| Term deposit | $48,000 |
| Super | $290,000 |

### Option 1: Gino works part-time

Gino decides to reduce his hours from full-time (five days a week) to part-time (three days a week). Therefore, his salary reduces to $39,000 and he still receives 9.50% SG ($3,705).

Gino's super balance is $290,000. He is able to commence a non- commutable account-based pension. Gino is required to withdraw a minimum annual pension amount based on his age. He is, however, entitled to receive more if he wishes, but no more than 10% of his account balance. In this case he opts to receive $16,640 per annum.

On a regular salary of $65,000 Gino's take home pay is $51,053. With Gino working three days a week and his account-based pension paying $16,640 his take home 'pay' is still $51,053.

Even though he has reduced his hours, his cash flow remains almost the same. Also, Gino still has contributions being made to his super.

### Option 2: Gino keeps working full-time

Gino decides to continue working full-time and uses his super balance of $290,000 to start a non-commutable account- based pension of $12,000 per annum. This now gives him more income than he needs.

Gino may be able to utilise the extra income. For example, he is interested in buying a country property for his retirement years but, until now, would have needed to sell his existing home first to raise the money. One of the effects of the new rules means Gino may be able to borrow money to purchase his retirement home and use the extra income to make loan repayments until he retires – and can then release the capital from his existing home.

### Option 3: Gino works full-time with a flexible super strategy

Gino recognises the benefits of super. He knows 'salary sacrifice' amounts, which qualify as concessional contributions, are taxed at 15% on receipt by his super fund and that earnings on super funds are taxed at a maximum of 15% rather than his 'marginal tax rate' of 32.5%.

While Gino decides to continue working full-time he is thinking about salary sacrificing to boost his nest egg. But he may commence a 'non-commutable account-based pension' to supplement his income.

This flexible combination may provide overall tax savings which allow Gino to build more retirement savings in the long term.

## Important things to consider

Regardless of which option suits your personal situation, you should think carefully about the following before taking any action and should consider seeing a professional financial adviser to help you implement a strategy.

### Personal lifestyle issues

- Do you want to reduce your working hours?
- Can your employer accommodate your desired working hours?
- Have you considered what you will do with the extra free time?

### Cashflow requirements

- How will working fewer hours affect your income?
- Will you need to supplement your income with a pension from your super?
- Do you have other income you can rely on?
- Will you have surplus income and what will you do with it?

### Tax issues

- What is your personal marginal tax rate?
- What is your current and future tax rate? Your tax rate now and in retirement is important. Tax rates dictate whether salary sacrifice is an appropriate savings strategy or whether alternative savings strategies may be better.
- How extensive are your super savings?

An annual limit applies to the amount of concessional contributions made to superannuation that are taxed at concessional rates. 'Concessional contributions' include contributions made for you by your employer and salary sacrifice contributions. Limits also apply to the amount of non-concessional contributions. 'Non-concessional contributions' include any post-tax contributions you make. We recommend you speak to a financial adviser to determine how these limits may affect you.

! If you're in a defined benefit division (1, 2, 3, 4, 12, and 15), please ensure you get financial advice prior to pursuing a transition-to-retirement strategy as this may have an impact on your final benefit amount.

### Qantas Super Gateway Income Account

A Qantas Super Gateway Income Account allows you to establish a transition to retirement strategy. If you have an Income Account you can also withdraw lump sums if you need to. For more information, please refer to the *Qantas Super Gateway Member Guide Supplement* which is available on our website.

## Getting advice

Before you take any action under the 'transition to retirement' rules, we recommend you speak with a licensed financial adviser to:

- Find out if you're eligible;
- Determine your short-term, medium-term and long-term financial and lifestyle goals; and
- Assess the potential risks and rewards of the various retirement strategy options available to you.

## Need advice?

To speak directly with a licensed financial adviser who understands Qantas Super, call us on **1300 362 967**, 8am to 7pm AEST/AEDT, Monday to Friday.



## Contact us

Phone
1300 362 967 (within Australia)
+61 3 8687 1866 (outside Australia)

Fax
+61 3 9245 5827

Postal address
Qantas Superannuation Plan
GPO Box 4303, Melbourne VIC 3001

www.qantassuper.com.au



Issued by Qantas Superannuation Limited ABN 47 003 806 960 AFSL 288330 (Trustee, we, our, us) as trustee for the Qantas Superannuation Plan ABN 41 272 198 829 (Qantas Super). March 2017

QSP_FS_EaseIntoRetirement_0317