



Transition to retirement

Gone are the days when we were in the workforce one day and retired the next. Explore the range of options available to ease your way into retirement.

What is a transition to retirement strategy?

Your super isn't just an ideal investment to save for retirement. Superannuation savings can also help to shape decisions about when you decide to hang up your work boots and how you manage your transition out of the workforce. It's all thanks to a type of product called a transition to retirement (TTR) pension. This allows you to access your super while you are still in the workforce and it's an option that has led to the development of two handy transition to retirement (or pre-retirement) strategies.

Income swap strategy

Perhaps the most popular option is an 'income swap' strategy. This generally suits pre-retirees hoping to ramp up their super savings ahead of full time retirement. In practice, it involves making additional super contributions via salary sacrifice (where your employer pays part of your pre-tax salary into your super fund rather than directly to you), while making up the difference in take home cash with payments from a TTR pension.

Replacement of income

The second type of strategy focuses on replacement of income. Here, you may choose to wind back your working week and use the funds provided by a TTR pension to enjoy the same level of after-tax income even though you are working less.

Good advice is essential

A transition to retirement strategy may sound easy on paper, but there are generally three key aspects of a TTR pension that call for professional financial planning advice.

1. Not everyone can access a TTR pension

TTR pensions are only available when you reach preservation age. That's the age at which, by law, you can access your super. This age limit is steadily rising, and Australians born on or after 1 July 1964 won't reach preservation age until age 60. That's not to say there is no merit in talking to your adviser about a TTR strategy at an earlier stage. Some advance planning is always worthwhile and this leads to another consideration - not all super funds offer TTR options.

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TO YOU.**

If you're thinking of using a TTR strategy at some stage, it can be worth talking to a financial adviser to find out if your fund provides a TTR option. If not, it may be worth asking about whether to switch to a fund that offers this option. If you use a self-managed super fund, the trust deed will need to allow TTR income streams.

2. Accessing a TTR pension at an early stage could mean exhausting your super prematurely

Assuming you tick all the eligibility boxes, it can be tempting to focus on how much you can draw down on a regular basis through a TTR pension. But your super may need to last a long time. That makes it important to consider 'when is the right time to embark on a TTR strategy?' As longevity rates continue to climb, anyone tapping into their super via a TTR pension at, say, age 56, may need to tread carefully. You could live to age 90 or older and the earlier you access your super, the greater the potential risk of outliving your nest egg.

This makes it critical to look at how much can be drawn down via a TTR pension to meet your needs today while still providing sufficient super savings to enjoy a comfortable tomorrow. There is no one-size-fits-all answer here and it pays to speak with a financial adviser about tailoring a TTR strategy to your personal needs.

3. TTR is not a set and forget strategy

Regardless of whether you are aiming for an income swap or income replacement strategy, your TTR plan needs to be reviewed annually so that income streams and/or super contributions can be fine-tuned in line with your circumstances.

Talk to your financial adviser to see which course of action works best for your circumstances and if you can ease your way into retirement sooner. A TTR pension can be an opportunity to have your super cake and eat it too while leaving the workforce on your own terms.

Source: *BT Financial*

A tailored approach is recommended so call us for assistance and advice on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.



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YOUR LIFESTYLE AND FINANCIAL DREAMS.**