

Retirement Strategies

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26 February 2008



Disclaimer

- This is not advice. Readers should not act solely on the basis of the material contained in this presentation. Items herein are general comments only and do not constitute or convey advice. Also, changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas covered in this presentation.
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Pensions

- Account Based
 - From 19th September, can no longer commence allocated pensions and market linked pensions
 - Minimum amount to pay based on age
 - No Maximum



Pensions

- Pension over 60 tax free
- Taxable pension age between 55 and 60
- Cannot add capital to account
- Deductible amount proportioned based on percentage tax free



Payment of Benefits

Min. Pension Payments

Age	% of Balance
Under 65	4
65-74	5
75-79	6
80-84	7
85-89	9
90-94	11
95+	14



Pensions

- Transition to Retirement
 - Can commence pension from age 55 whilst still working and contributing to fund
 - Minimum amount of pension is 4% of member balance
 - Maximum amount of pension is 10% of member balance



Pensions

- Convert Allocated to Account Based Pensions
(not classed as commutation)
 - Needs to be documented



Pension Example

- Jerry, aged 56, works full-time as a Bee keeper and has a Salary of \$120,000.
- SMSF member balance of \$400,000 (of which \$200,000 is from Undeducted Cont's)
- Advise Jerry to Salary Sacrifice \$40,000 per year into his SMSF and commence a Transition to Retirement Pension



Pension Example

- Before salary sacrificing into superannuation:

\$

■ Salary	120,000
■ Tax	<u>37,650</u>
■ Net Income:	82,350



Pension Example

■ After salary sacrificing into super:

	\$
■ Salary	80,000
■ Pension (max)	40,000
■ Total Income	<u>120,000</u>
■ Tax (net of 15% rebate)	26,350
■ Net Income	<u>93,650</u>



Pension Example

- Therefore, there is an effective tax saving of \$11,300 for Jerry. Also, when Jerry turns 60 his pension will not be taxable.
- The \$40,000 contributions will be taxed in the SMSF at 15% which is \$6,000. However, as the fund is now in pension phase, investment earnings used to fund the pension are tax free.

