

## Transition to retirement Super while you work

If someone said to you there was a way to ease into retirement by working less without losing any income, you'd probably think it was too good to be true. But with a transition to retirement strategy you have the option, if you are 55 or over, to cut your hours on the job and top-up your part-time pay with a regular income drawn from your super. And what makes this even more attractive is that once you turn 60 any income you draw down from your income account will be completely tax-free.

### How does it work?

It's quite simple. If you have reached your preservation age (see page two), you can choose to receive some of your super benefits as an income stream even though you are still working. At Sunsuper, we call this our *Income account - Transition to retirement (TTR)*.

### What are the key things to know?

- You need to have reached your preservation age to be eligible.
- You need to be doing some paid work, but there are no restrictions on the amount of work you do, or the income you earn.
- Even though you are drawing an income from your Income account, you can still continue to make contributions to your super. In fact, there can be some good tax advantages to contributing to your super while you are receiving a TTR, particularly salary sacrifice. One of our financial planners will be able to tell you how.
- There are no restrictions on the amount you can transfer from your super to an Income account, although you will need to keep some balance in your super if you, or your employer, are still making super contributions.

- Accessing your super benefits may affect your eligibility for social security benefits. Again, one of our financial planners will be able to tell you how.
- Not all superannuation funds have the facility to pay income streams

### What are the recent changes to the minimum drawdown rules for transition to retirement pensions?

Until recently, if you were between the ages of 55 and 65 you had to draw down a minimum of 4 per cent of the balance of your Workforce pension account per year, with the maximum drawdown 10 per cent. And if you were 65 and 74 years you were required to take 5 per cent every year.

However, on the back of the global economic crisis, the Federal Government has taken steps to offer pensioners temporary relief from the minimum pension drawdown rules. The minimum percentages for the 2012/13 financial year have been given a 25 per cent reduction, for example, a 55 year old needs to draw down only 3 per cent for this financial year and a 65 year old need only draw down 3.75 per cent.

It is important to note that once you turn 65 or fully retire, your TTR will be converted to an *Income account - Retirement* with no limit on the maximum amount you can take as income and no restrictions on lump sum withdrawals.

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### How long will a TTR last?

The income from a TTR only lasts until the money in your TTR account, plus any investment earnings run out. So it's very important to budget. If you start spending your super before retirement, you'll need to use it for a longer period of time and your super will need to last as long as you do. It's also important to consider how your TTR is invested so that it matches your risk profile.

### What happens if you change your mind?

Your needs or plans may change from time to time. For example, you may not want to receive payments if you return to work full-time. Depending on the rules of your particular income account you can, at any time, choose to stop payments and return the balance of your income account to your super fund.

### When can you start taking unrestricted lump sums from your super?

You can receive your super as an unrestricted lump sum:

- when you reach age 65,
- when you reach age 60 and have left employment,
- when you reach your preservation age, leave employment, and provide evidence to your super fund you never intend to work again,
- if any of your super is classified as 'unrestricted, non-preserved'.
- you could also be paid a lump sum in special circumstances, for example, total disability or severe financial hardship.

### Preservation age

Your preservation age depends on when you were born.

When you were born	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