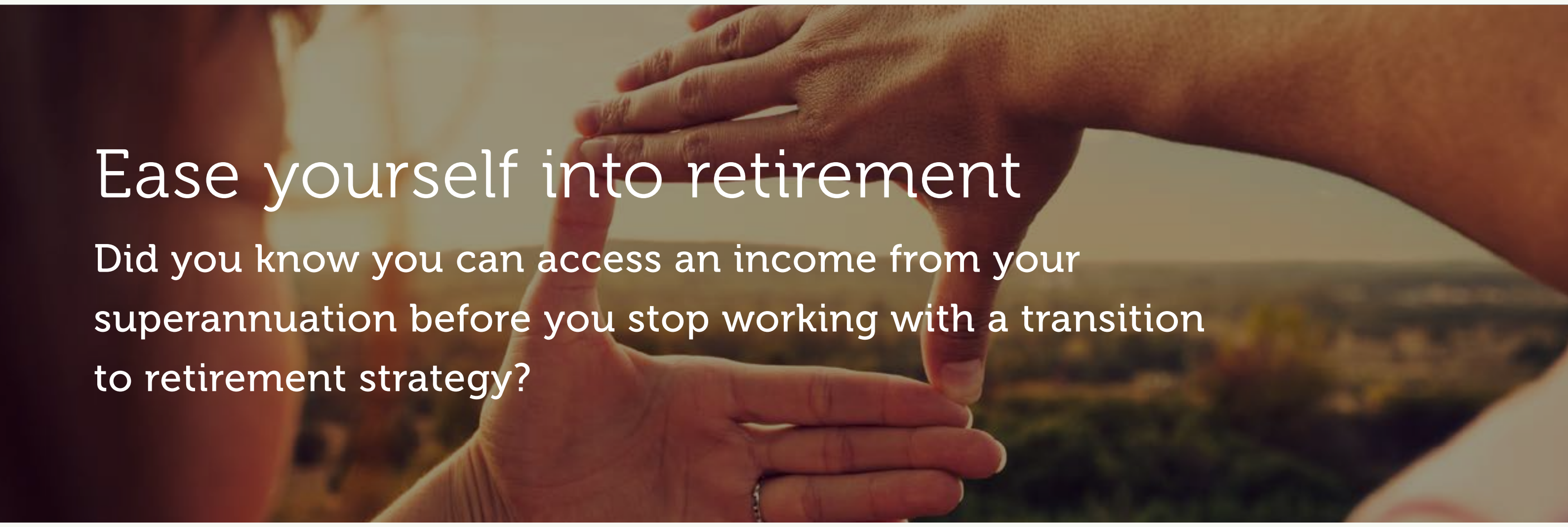
Fact sheet

FOR MEMBERS

VISSF
An education industry super fund
GROW WITH US



Ease yourself into retirement

Did you know you can access an income from your superannuation before you stop working with a transition to retirement strategy?

WHAT IS A TRANSITION TO RETIREMENT STRATEGY?

A transition to retirement strategy generally involves restructuring the way you receive your income so you can reduce your working hours or increase your super savings without affecting your day to day income. You can also take advantage of certain tax rules to boost your retirement income.

HOW DOES IT WORK?

If you have reached your preservation age and are still working, you can access an income from your super through a transition to retirement pension. There are three ways you could use this income:

1. To subsidise a move into part-time work.

2. To contribute more of your earned income to super (via salary sacrifice), so you can boost your super balance without reducing your take home pay.

3. To enable you to increase your income while continuing to work the same number of hours.

There is a minimum and maximum amount you may withdraw from a transition to retirement pension each year. Until you retire or reach age 65 the maximum income you may draw in any year is 10% of the account balance at the start of the pension or financial year. If you are under 65 the minimum amount you must take for the financial year is 4%.

WHAT ARE THE BENEFITS?

Supplement your income

A transition to retirement pension can help you supplement your income if you want to reduce your working hours.

Boost your super savings

By continuing to work you will still receive employer contributions to your super, meaning your savings can keep growing. You can further boost your super savings if you salary sacrifice some of your earned income to super.

Save on tax

The tax you pay when you'd make a salary sacrifice contribution to super is generally lower than the tax you'd pay on the same amount if you received it as salary or wages. This is because

Issued 1 July 2018

contributions made to super are generally taxed at 15%, whereas income is taxed at your marginal rate, which can be up to 47% (including the Medicare Levy). Plus, by salary sacrificing some of your pay to super, you will reduce your taxable income.

The income you receive from a transition to retirement pension is more favourably taxed compared to your earned income. If you are aged 60 or over, the pension income is tax free. If you are between 55 and 59, it is taxed at your marginal rate of tax but you will receive a 15% tax rebate.

Investment earnings on investments funding the pension are taxed at the concessional rate of up to 15%, whereas tax on investment earnings outside super is generally higher.

Flexibility

If you do start a transition to retirement pension but no longer need the income, you can stop the pension at any time and simply go back to accumulating your super.

THINGS TO CONSIDER

Contribution limits

There are limits as to how much an individual can contribute to super each year. For the financial year, an individual can make a concessional (or before-tax) contribution to super of up to $25,000.

Concessional contributions include Superannuation Guarantee contributions made by your employer, personal contributions (for which you have claimed a tax deduction), and any voluntary salary sacrifice contributions you make. Contributions above the limit will effectively be taxed at your individual marginal tax rate plus an Excess Concessional Contributions charge. Please read our Contribution Limit Fact Sheet for more information.

Drawing down an income

How much income you draw down will depend on how much you need and what other sources you may have. As people get closer to retirement their income needs tend to reduce and they can afford to salary sacrifice into super without having to replace the lost income. The maximum income you may draw down in any year is 10% of the account balance until you reach the age of 65 or retire.

Defined Benefit members

If you are a defined benefit member the amount you may transfer from your existing account into a pension may be limited, but you may have the option to transfer out of your defined benefit plan and commence a pension with your whole balance.

Centrelink benefits

The income you receive from the pension can affect your taxation status and eligibility for Centrelink benefits. Talk to a financial adviser to understand these implications.

HOW CAN I MAKE A TRANSITION TO RETIREMENT STRATEGY WORK FOR ME?

Whether you're new to VISSF, or would like to stay with us when you change jobs or retire, we can help you with your pension. Transition to retirement strategies can be complex so you should contact a member of our Client Services Team for help with any questions you may have.

HOW STEVE SAVED OVER $3,500 IN TAX AND ADDED THIS TO HIS SUPER SAVINGS

Steve, 60, is still working full time, earning $70,000 plus his super guarantee contribution, and plans to retire when he is 65. With 5 years up his sleeve he wants to bolster his retirement savings. While he will be limited by his concessional contributions cap of $25,000 a year, he looks into taking out a VISSF account based pension so he can start a transition to retirement strategy and salary sacrifice more into his super. Steve salary sacrifices as much of his salary as possible, into his existing super account, and draws down an amount from his pension account, so that he still has the same amount of money on which to live. The maximum he may draw down is 10% of his pension account. In one year Steve can save over $3,500 in tax and contribute this to his super. Over the five years between age 60 and 65 Steve can boost his super by almost $20,000 while keeping the same take home pay. This strategy is tax effective because income payments from a pension account are tax free for people over 60.

	WITHOUT STRATEGY	WITH STRATEGY	
INCOME POSITION			
Before-tax income amount	$70,000	$70,000	
Less salary sacrifice	$0	-18,350	
TAXABLE INCOME	$70,000	$51,650	
Less tax payable (including Medicare levy)	-$15,167	-$8,611	
Add (tax free) pension amount	$0	$11,794	
TAKE HOME PAY	$54,833	$54,833	SAME TAKE HOME PAY
SUPERANNUATION POSITION			
Employer (SG) contribution	$6,650	$6,650	
Salary sacrifice contribution	$0	$18,350	
TOTAL CONTRIBUTION	$6,650	$25,000	
Less contributions tax	-$998	-$3,750	
Less pension payment	$0	-$11,794	
SUPER POSITION	$5,652	$9,456	EXTRA $3,804 ADDED TO SUPER

The illustration above is based on the tax rates and limits applying for the 2018/19 financial year (Income Tax includes the Medicare Levy; and is net of the Low Income Superannuation Tax Offset, and the Low and Middle Income Tax Offset [effective 1 July 2018]). The superannuation guarantee is 9.5% and, for the 2018/19 financial year an individual can make a before-tax contribution to super of up to $25,000. Source: Russell Investments

NEED ADVICE?

Discover the difference expert advice can make to your super and retirement options.

As a VISSF member, you can now access an extensive range of advice services.

Simple advice

We offer an over the phone advice service designed to answer quick questions about your super savings or retirement - at no cost. You don't even need to leave the comfort of your home.

Retirement advice

Perhaps you'd like to know more about contribution strategies or want to find out how to top up your income as you reduce your work hours. Our team is here to come up with a solution to meet your needs. What's more, we'll pay for this advice.

Comprehensive advice

If you want to adopt a more holistic approach to managing your finances, we can set you up with a financial planner. The first meeting is complimentary. It's worth exploring, especially if you want to make sure you've left no stone unturned.

Call 1300 660 027 to take advantage of our financial advice services for members.

HAVE ANY QUESTIONS?

Call us on 1300 660 027

Website: www.vissf.com.au

Email: super@vissf.com.au

We're available between 8am and 5pm, weekdays. If you need to get in touch outside this time, email is the best way.

Postal Address

GPO Box 4974

Melbourne VIC 3001

VI 1153.9 07/18 ISS4