ZANACORP

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Transitioning to Retirement Made Simpler

Not quite ready to take the plunge into full retirement, but prepared to make a start?

Transitioning into the retirement phase of your life means undergoing the process of slowly relying less on work-related earnings, and more on superannuation and investments to cover your lifestyle expenses.

The period of time taken to transition into retirement is up to you; it may take as little as 6 months or as long as 5 years.

However, income may be a source of concern during this transition period - this is why transition to retirement pensions can be of assistance.

A transition to retirement (TTR) pension allows you to supplement your income by allowing you to access some of your super once you've reached your preservation age.

This type of pension is similar to an account-based pension, but has a few extra rules.

Not only must you first have reached your superannuation preservation age, for TTR pensions in the pre-retirement phase, the minimum pension payment is 4% up to a maximum 10% of your account balance as at 1 July of each financial year or the value from the date your TTR pension started in that financial year. The minimum payment percentage is pro-rated in the first financial year.

If you start a TTR pension part way through a year, the 4% is pro-rata based on the remaining days in the financial year, divided by the total days in the year. The 10% upper threshold remains calculated based on a full year (i.e. no pro-rata necessary).

How Can A TTR Pension Benefit You?

- You cut back your working hours without reducing your income.
- The taxable component of TTR pension payments attracts a 15% tax offset between the preservation age and 59, and all payments are tax-free at age 60 or over.
- Investment earnings are generally taxed at a maximum rate of 15%.

You can start a transition to retirement pension by contacting your superannuation fund and asking if they offer transition to retirement pensions. If they do and you are comfortable using their product, you can then follow the process to commence the pension. Alternatively, you may choose to start a transition to retirement pension with a different superannuation fund.

However, bear in mind:

- You'll need to keep a super account open to accept employer contributions (or any other contributions), as these can't be contributed directly to a pension account.
- TTR pensions don't hold any insurance cover. This means you may want to keep any personal insurance you have connected to your super account.

There are a number of things you should consider before starting a TTR pension; professional financial advice is recommended. Why not start a conversation with a trusted, licensed adviser today?