



## Fact sheet

### The Transition to Retirement option – what you need to know to get started

Taking up a pension under the Transition to Retirement option allows you to access your super before you permanently retire. Depending on your circumstances, this option may help you:

- reduce the amount of tax you pay and potentially increase your retirement savings, or
- supplement your income while you reduce your working hours.

There are a number of things to consider before you take up a pension using the Transition to Retirement option with AustralianSuper.

#### Step 1 – Make sure you’re eligible

To be eligible to take up an AustralianSuper Pension using the Transition to Retirement option, you must have:

- a minimum of \$10,000 in super; and
- reached preservation age.

##### Preservation age

If you were born before 1 July 1960, your preservation age is 55. If you were born after this date, your preservation age will be somewhere between 56 and 60. See the table below to find your preservation age.

If you were born	You can access your super at 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
1 July 1964 or after	60

#### Step 2 – Do some research

- Read the AustralianSuper *Pension Member Guide*.
- Read the AustralianSuper Transition to Retirement option fact sheet.

Both the Guide and Transition to Retirement fact sheet are available at [www.australiansuper.com/pension](http://www.australiansuper.com/pension) under Tools & Forms or by contacting the Customer Service Centre on 1300 789 932.

#### Step 3 – Determine your key objective

**Objective 1:** To reduce your income tax and increase your retirement savings. You may be able to achieve this by setting up a salary sacrifice arrangement with your employer (complete Steps 4, 5, 6 and 7), or

**Objective 2:** To work less but maintain the same take-home pay. You can achieve this by using your pension payments to supplement your income (complete Steps 5, 6 and 7).

#### Step 4 – Determine how much to salary sacrifice to super

- Obtain professional advice from a qualified accountant or financial planner to determine whether salary sacrificing into super is appropriate for your circumstances.
- Employers are not obliged to provide their employees with a salary sacrifice arrangement. Find out from your Payroll Officer or Human Resource Manager if salary sacrificing into super is available through your employer.
- Your employer, industrial and/or workplace agreements may impose limits on the amount you can salary sacrifice into super (eg ‘maximum of 60% of salary’). Check with your Payroll Officer or Human Resource Manager to determine whether any limits apply.
- Legislation effectively imposes limits on the amount your employer can contribute into super on your behalf, including any salary sacrifice contributions. An annual employer contribution limit of \$50,000 applies per person. For members aged 50 years and over in the period 1 July 2007 to 30 June 2012 a higher annual employer contribution limit of \$100,000 a year applies until 1 July 2012, when the \$50,000 limit will apply to everyone. Amounts contributed in excess of these limits attract a higher tax. Make sure you are within the legislative limit by checking with your Payroll Officer or Human Resource Manager.
- Salary sacrificing into super may reduce the amount contributed by your employer through the Superannuation Guarantee. Again, check with your Payroll Officer or Human Resource Manager to determine whether this applies to you.

- AustralianSuper has developed a Transition to Retirement calculator which provides a guide as to the optimum amount you can salary sacrifice into super. The calculator is available at [www.australiansuper.com/pension](http://www.australiansuper.com/pension) under Tools & Forms.
- Once you have determined the amount you wish to salary sacrifice into super, contact your employer to formalise the arrangement.

### Step 5 – Determine the income you can receive from your new pension

- If you selected **Objective 1** at Step 3, the AustralianSuper Transition to Retirement calculator will provide a guide as to the amount of income you can draw from your new pension. It's important to note that the calculator does not consider:
  - (i) Any other income (such as income from investments and rental properties) you may have and your ability to rely on this income. The calculator only considers the income derived from your new pension and salary.
  - (ii) The results from the AustralianSuper Transition to Retirement calculator rely on a number of other assumptions which are stated on the Disclaimer and Assumptions page. Please read this page when using the calculator.
- If you selected **Objective 2** at Step 3, the amount of income to be drawn from your pension will depend on a number of factors, including:
  - (i) What impact will working fewer hours have on your employment income?
  - (ii) Do you have any other income to rely on?
  - (iii) How much super do you have? Under the Transition to Retirement option, the maximum you can withdraw is 10% of your account balance (this restriction is removed when you permanently retire, change employment at or after age 60, or reach age 65).
  - (iv) How much tax will you now pay? A pension offers a range of tax benefits. For further information, read the Tax and your AustralianSuper Pension fact sheet. The fact sheet is available at [www.australiansuper.com/pension](http://www.australiansuper.com/pension) under Tools & Forms or by contacting the Customer Service Centre on 1300 789 932.

### Step 6 – Determine the appropriate amount of PAYG (Pay As You Go) tax to be deducted from your new pension (only applicable to members under 60)

- If you earn other income (such as salary, rental and investment income), the amount of tax deducted by AustralianSuper from your pension payments may not be enough to fund your yearly tax liability. In this instance, you might want to vary the amount of tax deducted from your pension. To do this, we suggest you contact your accountant to determine the appropriate amount of tax to be deducted from your pension.

Your accountant should also assist in the completion of the *Withholding declaration – upwards variation* form (this form will be used to notify AustralianSuper that you wish to withhold additional tax from your pension). This form is available by contacting the Australian Taxation Office on 13 28 61 or go to [www.ato.gov.au](http://www.ato.gov.au) Once the form is completed, the form should be sent to AustralianSuper, Locked Bag 6, Carlton South VIC 3053.

### Step 7 – Get professional financial planning advice

- As you can see, there's a lot to consider before taking advantage of the Transition to Retirement option. So it's a good idea to think carefully about the information contained in this fact sheet and then consider seeing a professional financial adviser to help you implement this option. Take your AustralianSuper *Pension Member Guide* with you, which has the application form at the back.

AustralianSuper members can access commission-free financial advice through Industry Fund Financial Planning (IFFP). Your discussion with an IFFP adviser is charged on a fee-for-service basis and the cost is agreed upfront. To arrange a time for a free initial discussion or for more information, you can contact IFFP on 1300 138 848 or go to [www.iffp.com.au](http://www.iffp.com.au)<sup>1</sup>

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