

# Turning age 55

## Introduction

A milestone in itself, turning age 55 has a number of implications for your superannuation savings. It may be worthwhile considering the following options:

- Boosting your superannuation savings
- Embarking on a transition to retirement strategy, or
- Accessing your superannuation via a lump sum or income stream at retirement.

These strategies are examined below.

## Boosting your super

Anyone under the age of 65 can contribute to super or have superannuation contributions made on their behalf. Your employer is required to contribute 9% of your salary into superannuation, however in order to boost your superannuation savings prior to retirement, you may like to consider making the following:

- Salary sacrifice (concessional) contributions, and/or
- Personal (non-concessional) concessional contributions.

## Salary sacrifice contributions

Salary sacrificing means you forgo receiving income in your hand in return for a contribution into superannuation.

You nominate the amount of money you wish to salary sacrifice and this is deducted directly by your employer and paid to your super fund from your pre-tax salary. As a

result, you do not pay income tax at your marginal tax rate on the portion you sacrificed; instead you pay 15% contributions tax in the superannuation fund.

## Personal contributions

On the other hand, personal contributions are those made with your after tax money that are not subject to contributions tax.

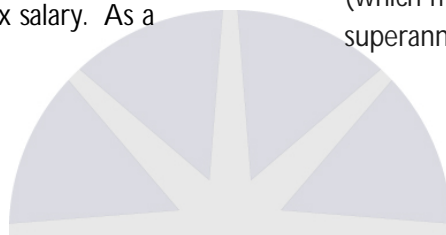
In addition, if you earn less than the maximum threshold (\$60,342 in 2008/09) and make a personal (non-concessional) contribution to super, you may be entitled to the Government Co-contribution. The Co-contribution provides for \$1.50 to be paid for every \$1.00 of personal contributions made by qualifying people, up to their maximum Co-contribution amount. In 2008/09, this is \$1,500 and is available to people with total income less than \$30,342.

## Transitioning to retirement

This strategy involves using your accumulated superannuation balance to commence an income stream to supplement your employment income whilst still working.

If you do not require additional income, an enhancement of this strategy involves commencing a transition to retirement income stream and at the same time salary sacrificing your employment income back into superannuation. The benefits of this are:

- Your income tax may be reduced due to the difference in your marginal tax rate (which may be as high as 46.5%) and the superannuation tax rate of 15%; and





- The investment earnings on your superannuation balance (that is used to support the payment of your pension) are tax free.
- Use your superannuation to commence an income stream; or
- A combination of any of the above.

The taxable portion of your transition to retirement income stream will be taxable (but with a 15% tax offset). Once over age 60, no tax is payable on your income stream.

## Retirement

Turning age 55 means you have reached what is known in superannuation as your "preservation age". In most cases, superannuation monies are preserved in the superannuation system until you have met a condition of release. Amongst others, reaching preservation age and permanently retiring allows you access to your superannuation benefit. Permanent retirement means you have ceased gainful employment (working less than 10 hours per week) and have no intention of returning to work. At retirement, you may:

- Leave your money in your super fund indefinitely
- Withdraw your superannuation as a lump sum

## Taxation at retirement

There are different taxation implications depending on which option you choose and the taxation components that make up your superannuation benefit.

In general terms, your superannuation benefit may comprise a taxable component and a tax free component. The tax free component is paid tax free. When making a lump sum withdrawal, the taxable component is treated differently depending on the amount:

- Less than \$140,000 = 0%
- Over \$140,000 = 16.5%

The taxable portion of an income stream is included in your assessable income and taxed at your marginal tax rate but is subject to a 15% tax offset.

Once you have reached age 60, both the tax free and taxable components of a superannuation lump sum or income stream are paid tax free.

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## How to Contact Centric Wealth Advisers Ltd

Level 2, 7 Macquarie Place  
Sydney NSW 2000  
PO Box R1851  
Royal Exchange NSW  
1225  
Tel 02 9250 6500  
Fax 02 9252 2702

Level 27, 150 Lonsdale  
Street  
Melbourne VIC 3000  
Tel 03 9639 4848  
Fax 03 9639 4343

Level 16, 123 Eagle  
Street  
Brisbane QLD 4000  
GPO Box 915  
Brisbane QLD 4001  
Tel 07 3230 6555  
Fax 07 3221 2145

Level 12, 259 Queen  
Street  
Brisbane QLD 4000  
GPO Box 405  
Brisbane QLD 4001  
Tel 07 3228 8000  
Fax 07 3228 8010

Level 1, 8 Phipps  
Close, Deakin  
Canberra ACT 2600  
PO Box 3637  
Manuka ACT 2603  
Tel 02 6281 1477  
Fax 02 6281 1476