TRANSITION TO RETIREMENT

FACT SHEET

Many Australians approaching the end of their working life have concerns over whether they have saved enough super to fund the lifestyle they had planned for their retirement years, while others look to ease into retirement without finishing working altogether.

What is commonly referred to as a 'transition to retirement strategy', can provide some additional flexibility as you near your desired retirement age and allow you to boost your super savings in a tax effective manner.

Reaching your 'preservation age'

Super contributions are governed by laws that lock them away or 'preserve' them until you reach a certain age. This 'preservation age' is determined according to your date of birth and is shown in the table below.

Date of birth	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**
On or after 1 July 1964	**60**

Once you have reached your preservation age, you have the option to start accessing your super savings as a pension, even if you are still working. There are a few potential benefits to using this money to further boost your retirement nest egg.

Transition to retirement strategy using a pre-retirement pension

The Nationwide Super Pre-Retirement Pension may be used to help you reduce your income tax and grow your super further, without impacting on the pay that ends up in your pocket.

By 'topping up' your income with pension payments, you can then make additional contributions directly from your before-tax pay to your super (through salary sacrifice).

This can help you build your retirement savings in a tax-smart way, as you save money in two ways:

- **both pension income payments and salary sacrifice contributions are taxed at a lower rate than your normal salary; and**
- **once you are retired or are aged 65 or over, investment earnings on a pension account are not taxed (Pre-retirement pension investment earnings are subject to tax from 1 July 2017).**

The tax savings are even more attractive when you reach age 60, as pension income becomes completely tax-free.

NATIONWIDE SUPER

Case Study 1 (under 60)

Alan is 56 years old and working full-time, earning $85,000 per annum. He sets up a Nationwide Super Pre-Retirement Pension with $150,000 of his super. He can draw up to $15,000 each year from his pension, as the maximum income limit set by the government is 10%. This extra income allows him to be able to afford to salary sacrifice $18,650 into his Nationwide Super account each year.

	Do nothing	Using a transition to retirement strategy
Salary	$85,000	$85,000
Nationwide Super Pre-Retirement Pension income	None	$15,000 gross
Salary sacrifice into super	None	-$18,500
Tax	-$20,872	-$17,415
Take-home pay	= $64,128	= $64,085
Additional super being contributed	**$0**	**$3,500**
15% contributions tax on salary sacrifice	**$0**	**-$2,775**
Total additional super	**$0**	**$725**

Alan has an extra **$725** going into his super each year and has the same take-home pay as before. If Alan had any tax-free amounts saved in his super, then the tax savings would be even better.

Case Study 2 (60 and over)

Mary is 60 years old and working full-time, earning $60,000 per annum. She has $80,000 saved in super and uses this amount to start a Nationwide Super Pre-Retirement Pension. She can draw up to $8,000 per annum in pension income payments, as the maximum income limit set by the government is 10%. This extra income allows her to salary sacrifice $11,680 into her Nationwide Super account each year.

	Do nothing	Using a transition to retirement strategy
Salary	$60,000	$60,000
Nationwide Super Pre-Retirement Pension income	None	$8,000 tax-free
Salary sacrifice into super	None	-$12,000
Tax	-$12,247	-$8,107
Take-home pay	= $47,753	= $47,893
Additional super being contributed	**$0**	**$4,000**
15% contributions tax on salary sacrifice	**$0**	**-$1,800**
Total additional super	**$0**	**$2,200**

Mary has an extra **$2,200** going into her super each year and has the same take-home pay as before.

Case study assumptions: • Pension account is 100% taxable component. • Alan and Mary have no other income.
• Alan and Mary cannot afford to reduce their take-home pay.

For more information...

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