

## Transition to Retirement (TTR) Pensions

### Fact Sheet

Generally, individuals can only access their superannuation benefits when they reach preservation age (55 or over) or they retire. A TTR pension allows you to make use of your superannuation before retirement and also to take advantage of favourable tax treatment.

#### What is a 'Transition to Retirement' (TTR) Strategy?

Since 1 July 2005 legislation has been introduced to allow pre-retirees (55+) access to a Transition to Retirement Pension (TTR). This effectively allows individuals the ability to commence a pension and make use of superannuation benefits before retirement.

This strategy is not restricted to part time workers wanting to supplement their income via their superannuation benefits. The TTR Strategy can also be used to take advantage of the favourable tax treatment afforded to retirement income streams. This is especially beneficial for individuals aged 60 and over.

The basis of this strategy is to salary sacrifice as much as you can into superannuation and supplement your income through the TTR pension. This can open up an 'arbitrage situation' where the amount needed to draw from the pension is much less than the amount needed to replace it via salary sacrifice. The TTR strategy can also be used by self employed persons in a similar manner.

Importantly, once you are retired, the income stream automatically reverts to a normal account based pension.

#### Advantages of implementing a TTR Strategy

- + No tax on earnings or growth within the TTR Pension.
- + Access to the 15% pension tax offset between ages 55 and 59 and tax-free income from age 60.

- + The strategy can be completely unwound (i.e. funds rolled back to superannuation) without any negative implications on the retirement balance.
- + The level of income received can be adjusted between minimum (4%) and maximum (10%) levels.
- + This is a tax structure driven strategy. This means it is not reliant on strong market performances to make it a successful strategy.

#### Disadvantages of implementing a TTR Strategy

- + If the income drawdown from the TTR is not replaced, the final retirement balance may be less.
- + Income from the TTR Pension may be received at different times to your current salary or self-employed income.
- + There may be transaction costs involved in establishing the strategy.
- + The amount contributed back to superannuation is limited by the Concessional Contribution Cap (CCC) amount.
- + The maximum pension that can be drawn in a financial year cannot exceed 10% of the account balance which is calculated at 1 July each year.

If you would like to know more about establishing a Transition to Retirement Pension, please contact your Accru Financial Planning adviser.