

## A bit about 'Transition to Retirement' pensions

One of the benefits of super is allowing people who reach their preservation age and are still working to supplement their wages with a Transition to Retirement (TTR) pension 'bought' with their superannuation savings.

The biggest difference between a TTR pension and a Personal pension is that you will not be able to withdraw your money as a lump sum from a TTR pension.

If you want to keep working, but want to reduce your hours, you can use a TTR pension to draw on your super savings and provide some income to supplement your wages.

You do not have to use all of your superannuation to start a TTR pension but you will have to leave a proportion of your super savings in your super account for your employer to keep adding to it.

The amount you can take from a TTR pension must be within Government-set limits. First, you will have to work out how much income you need before deciding how much to move from your super account into a TTR pension account.

### Transition To Retirement And Salary Sacrifice

There has been much talk in the media about a strategy using a 'transition to retirement' strategy (TTR) with salary sacrifice to save tax and build your super.

It is generally agreed it is more advantageous to those over age 60 and in higher marginal tax brackets (over \$80,000 in salary), and even then it depends on a number of other factors like the amount you have in super and how much is classed as a tax-free component.

The reason the Government introduced these measures was to encourage people to stay in work longer, even if it was only part-time. They could then use some, or all, of their super to supplement their reduced income in the years up until they fully retire. Some of the advantages and disadvantages of this type of strategy are outlined below:

Advantages	Disadvantages
You reduce your assessable income.	Depending on your pension balance, the TTR may not provide enough income to replace the income amount you salary sacrifice.
The amount of tax you pay on superannuation fund earnings is reduced, as TTR pension earnings are tax-free.	You do not have as much locked in superannuation to provide compound interest until your retirement.
Depending on your age, income you receive from the TTR pension is either tax-free or entitled to receive a 15% rebate.	You may reduce your PAYG tax but increase your tax in other areas such as on your contributions at 15%.

Remember, each person's situation is different.

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