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The transition to retirement

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NEW-AGE retirees don't want to grow roses and go bowling every day, they want to keep working, just not at the red-hot pace that much of life seems to have become.

A good mix of work and lifestyle is what people want, and it's possible under new super rules.

From 55, you can use your super to buy an allocated pension, which gives you an income stream and all the freedoms that come with a cash flow.

You might, for example, keep working but cut back to part-time or casual work.

Yet because you are still working your employer is still contributing super on your behalf and you may also be making salary sacrifice contributions, so your super savings are still building.

In short, the transition to retirement strategy enables a shorter working week with much the same after-tax income as before, or a way to smooth an irregular income.

Theo Christopoulos, an executive director of Meritum Financial Group, describes it as a way to work and to have an income.

"You can convert super assets to tax-free income in what is a private pension, and add to them by working.

"You might also continue to build your super by salary sacrificing for as long as you keep working."

Take Mary, who is 63 and has \$650,000 in super. Most of this is a portfolio of Australian shares, which cost her \$250,000.

Mary is worried about a potential overheated share market and thinks it's time to realise gains before the market falls.

Mary moves her assets to the pension phase of her fund and take a transition-to-retirement pension, as she doesn't want to stop working. She will take the minimum pension over time of \$35,911.

Mary will save \$40,000 in capital gains tax, and get a pension of \$36,000 a year.

So, she moves from having a tax bill that will send her assets backwards by \$10,000, to be ahead by \$35,911. Mary could even put the \$35,911 back into super or take a holiday.