

## Case Study

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### Transition to Retirement.

Roger, aged 55, is an engineer earning \$90,000 p.a. He enjoys his job and has no immediate plans to reduce his working hours. He does, however, feel that age 65 would be a good time to retire from the workforce to make the most out of his retirement.

He has a super account balance of \$325,000 invested in a balanced option that has historically earned 7% p.a. Roger has heard about the new super rules and is interested to find out how he can benefit from the changes.

### The strategy

Roger's ANZ Financial Planner suggests that he consider establishing a Transition to Retirement pension. This will mean that Roger will need to salary sacrifice a significant portion of his pre-tax salary into his super account. Roger is initially concerned because he does not want to change his lifestyle or receive a lower take home income.

His ANZ Financial Planner explains that by implementing a Transition to Retirement pension, Roger can supplement his income from his retirement savings while sacrificing a portion of his income into his super. Roger currently receives \$65,550 in after-tax income. Roger's ANZ Financial Planner explains that if he salary sacrifices \$35,000 p.a., he will still receive \$55,000 p.a. in income from his employer. He then explains that he can supplement his reduced income with pension payments of \$27,313 p.a. from a Transition to Retirement pension using his existing super savings. This will mean that after tax Roger will still receive \$65,550.

Roger is happy that he will receive the same income and continue to live the lifestyle he enjoys, but wants to know how this will benefit his retirement savings. His ANZ Financial Planner explains that in the first year his net salary sacrifice super contributions of \$29,750 exceed his Transition to Retirement pension payments of \$27,313. This means that in the first year alone Roger's retirement savings are boosted by an additional \$2,437.

And it gets better. When Roger turns 60, the payments from his Transition to Retirement pension are tax free. This means he can reduce his pension payment amount and boost his retirement savings further. For example, if Roger was 60, he could still receive the same after-tax income of \$65,500 by drawing pension payments of \$22,075 and his retirement savings would be boosted by \$7,675.

Assumptions: Roger's super account balance of \$325,000 is all taxable and fully preserved. Superannuation Guarantee is assumed unchanged at 9% of the original earnings base, No taxation deductions have been claimed. Qualifying private hospital cover is in place.