Transition to Retirement Strategy

McConachie Stedman
Financial Planning

Did you know over 55's can significantly reduce tax by using a 'Transition to Retirement Strategy'?

This strategy is available to employees and self employed people aged over 55. It involves:

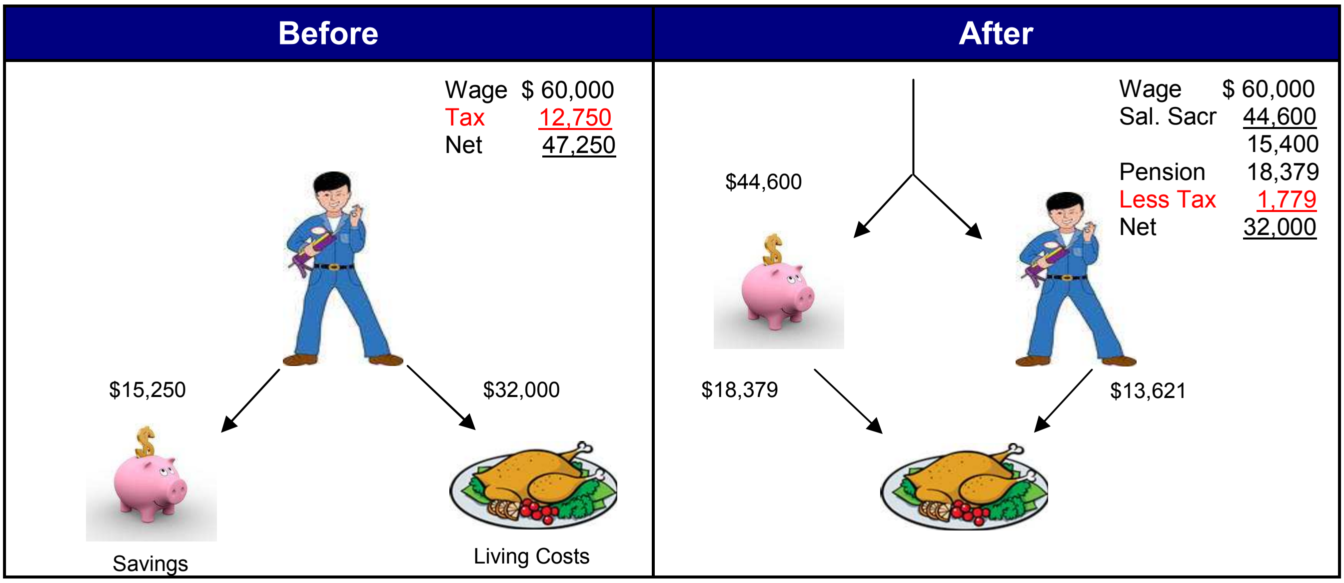
- Funding portion of your living costs from a superannuation pension because this is taxed at a lower rate than your wage
- Converting your superannuation benefit to a pension fund which means that your super fund will cease to pay tax on its earnings
- And salary sacrificing surplus wage income to your superannuation to reduce the tax payable on your wage.

The result is lower taxes and more money in superannuation for your retirement.

Case Study – BILL BLOGGS

Bill, aged 55 earns a wage of $60,000 and has $185,000 in superannuation. Bill covers his living costs ($32,000) from his net wage after tax of $47,250, leaving $15,250 savings.

By adopting a Transition to Retirement strategy, Bill draws a superannuation pension of $18,379 so he only needs a further $13,621 from wages to cover his living costs. This enables him salary sacrifice $44,600 into his super, thereby saving him $10,971 in tax.



PROS

- His income tax is reduced by $10,971
- He is able to increase his Superannuation contribution by $29,350
- The super fund ceases to pay tax on earnings (say $833)

CONS

- The super fund pays a $18,379 pension
- The super fund pays $6,690 contributions tax

RESULTS

Super fund increases by an additional $5,114

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Will you have enough to retire on?

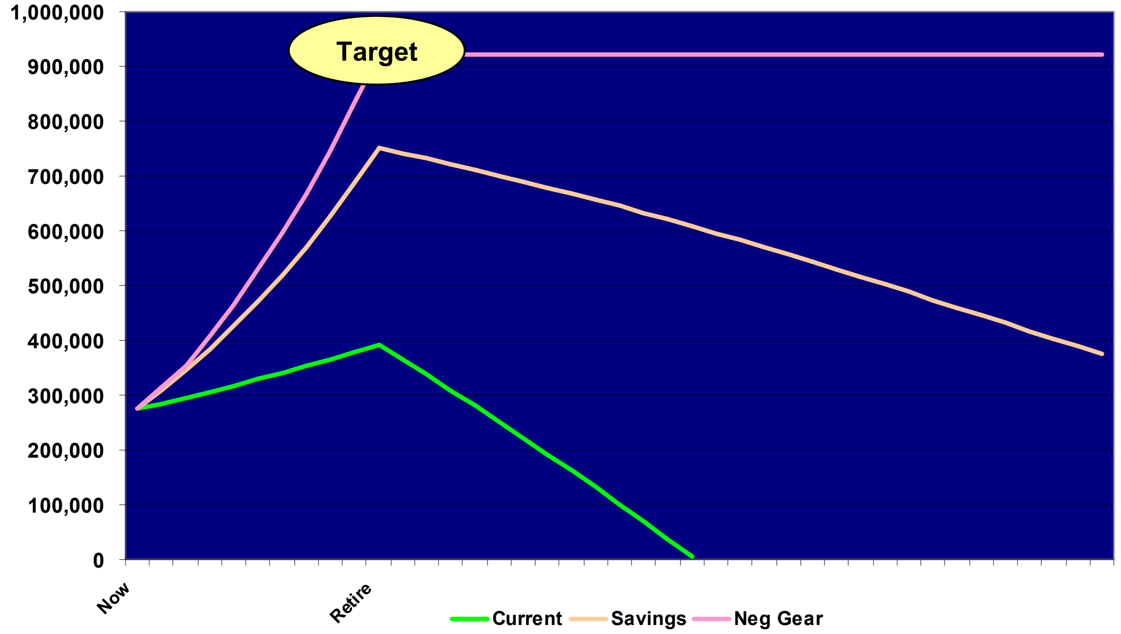
At McConachie Stedman we work with our clients to determine whether they will have enough to retire on. If not, we help them develop a plan to achieve their desired retirement lifestyle. This becomes increasingly important for people aged over 50.

We begin with **setting your lifestyle goals**

- When do you want to retire? At what age or in how many years?
- How much do you need to live on each year in retirement based in today's dollars?
- Are there any goals you would like to achieve approaching or during retirement that require a lump sum payment?

We then set a **retirement capital target** that would allow you to achieve your desired retirement lifestyle.

The next step is to establish if you will reach your goals based on current assets and strategies. This is done by **projecting your investments** forward to your date of retirement.



If your projected assets are below your target (green line) it is likely that your money will run out pre-maturely in retirement.

If you do not wish to retire at a later age or live below your standards we must then consider **what options are available** to boost your retirement savings.

We may consider:

- Reviewing your risk profile and adjusting the structure of your investments
- Reviewing your current savings capacity to make extra contributions (orange line)
- Using borrowing as a source of new funds to increase potential growth and earnings (pink line)

The strategies available to assist you in meeting your retirement goals are numerous. The most useful strategy however is to START NOW by taking advantage of our free consultation.

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Last updated July 2010

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