

Making the most from your super

Andrew Martin



redefining / financial services

Agenda



- Achieving your Retirement Goals
- What is Superannuation?
- What is a Transition to Retirement (TTR) strategy?
- What if you have already retired?



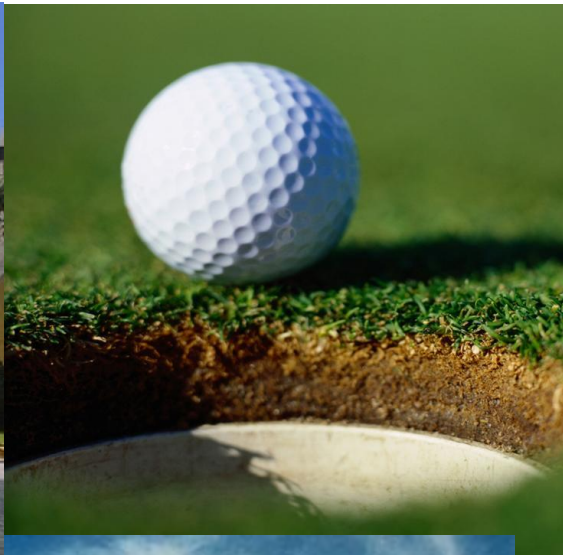
Achieving our goals ?

What does retirement look like?



redefining / financial services

My retirement plan

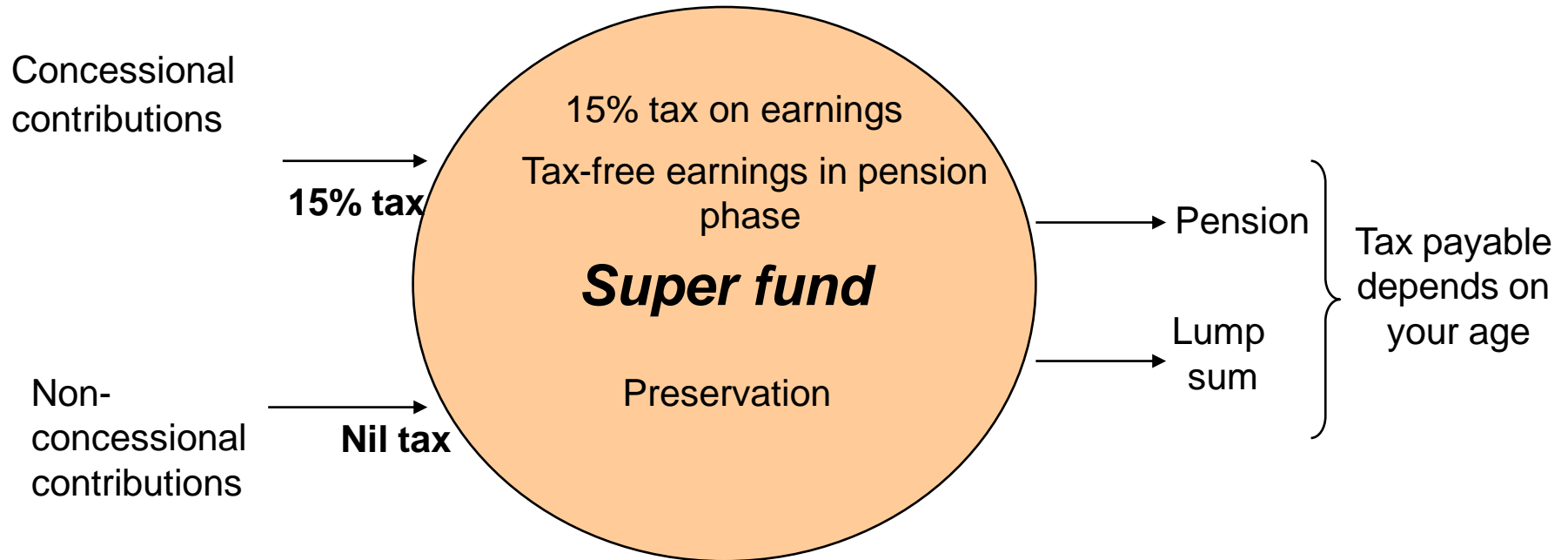


redefining / financial services

How much is enough?

- How much do you need to have accumulated to retire comfortably?
- If you want to retire at age 60 with a comfortable income of \$50,000 p.a. for 25 years, how much is needed?
- You would need to have accumulated around **\$775,000** by age 60 to meet your objective
- *Comfortable determined by Westpac ASFA retirement standard June 2008
- *Assumes a 7% return (allocated pension), index expenses at 2.5% and no Centrelink income assistance

What is Superannuation



Super is not an investment - it is a structure for holding assets

How can you contribute funds to superannuation?

There are two types of contributions you can make to superannuation

- Concessional (with a tax deduction), or
- Non Concessional (no tax deduction)

To be eligible to contribute, you must:

- Be under the age of 65, or
- If over 65, meet the work test of at least **40 hours** in a period of not more than **30 consecutive days** in the financial year

Concessional Contributions

A Concessional contribution is made from pre tax dollars and includes:

- Self employed contributions,
- Personal tax deductible contributions, or
- Salary sacrifice contributions (employees)

Contributions are taxed at 15% when made to super in exchange for the tax deduction claimed

Limit on concessional contributions

Your Age	Concessional Contribution Cap
Under 50 at the end of the relevant financial year	\$50,000
At least 50 at the end of the relevant financial year (2007/08 to 2011/2012)	\$100,000

Treatment of excess concessional contributions:

- 31.5% payable by the individual and is in addition to the 15% contributions tax

Salary Sacrifice

Super versus Non-super					
Pre-tax	MTR	Non-super	Super	Difference*	
\$1	0%	\$1.000	\$0.85	-15.0%	
\$1	16.5%	\$0.835	\$0.85	1.8%	
\$1	31.5%	\$0.685	\$0.85	24.1%	
\$1	41.5%	\$0.585	\$0.85	45.3%	
\$1	46.5%	\$0.535	\$0.85	58.9%	

*Ignores tax offsets

Non Concessional Contributions

- Made from after tax dollars
- No contributions tax is payable

Limits on Non concessional contributions:

Age at 1 st July	Non-concessional contributions cap
Under 65	\$150,000 p.a. or \$450,000 averaged over three years
65 or over	\$150,000 per year

Treatment of excess non-concessional contributions:

- Tax of 46.5% payable by the individual funded by a withdrawal from your super fund account

Government co-contribution

- Available when you make a personal (non concessional) contribution by 30th June each year into superannuation
- The maximum Government co-contribution that you can receive is \$1,500 p.a. if you contribute \$1,000
- The full co-contribution is available if you earn less than \$30,342 and phases out where your total income is \$60,342 or more,
- 10% or more of your total income is from eligible employment, running a business or a combination of both
- Lodge your income tax return to declare the contribution

Spouse Contributions

- You may be entitled to a tax offset of up to \$540 (maximum) each financial year if you make a non-concessional contribution to super on behalf of your spouse
- Full rebate is available where your spouses assessable income is \$10,800 or less
- The rebate cuts out when your spouses income exceeds \$13,800
- Rebate is based on 18% of the contribution made based on a maximum contribution of \$3,000

Transition to retirement

- Once you have reached preservation age (minimum 55), you can continue to work at your present level and have limited access to your superannuation
- Purchase an Non-commutable Allocated Pension (NCAP) with your exiting accumulated superannuation
- Salary sacrifice employment income into superannuation (employer must agree)
- Maintain current income by drawing a pension from an NCAP (up to 10% of the account balance)
- The tax advantages mean their income stays the same but their super may receive a growth boost

Case Study

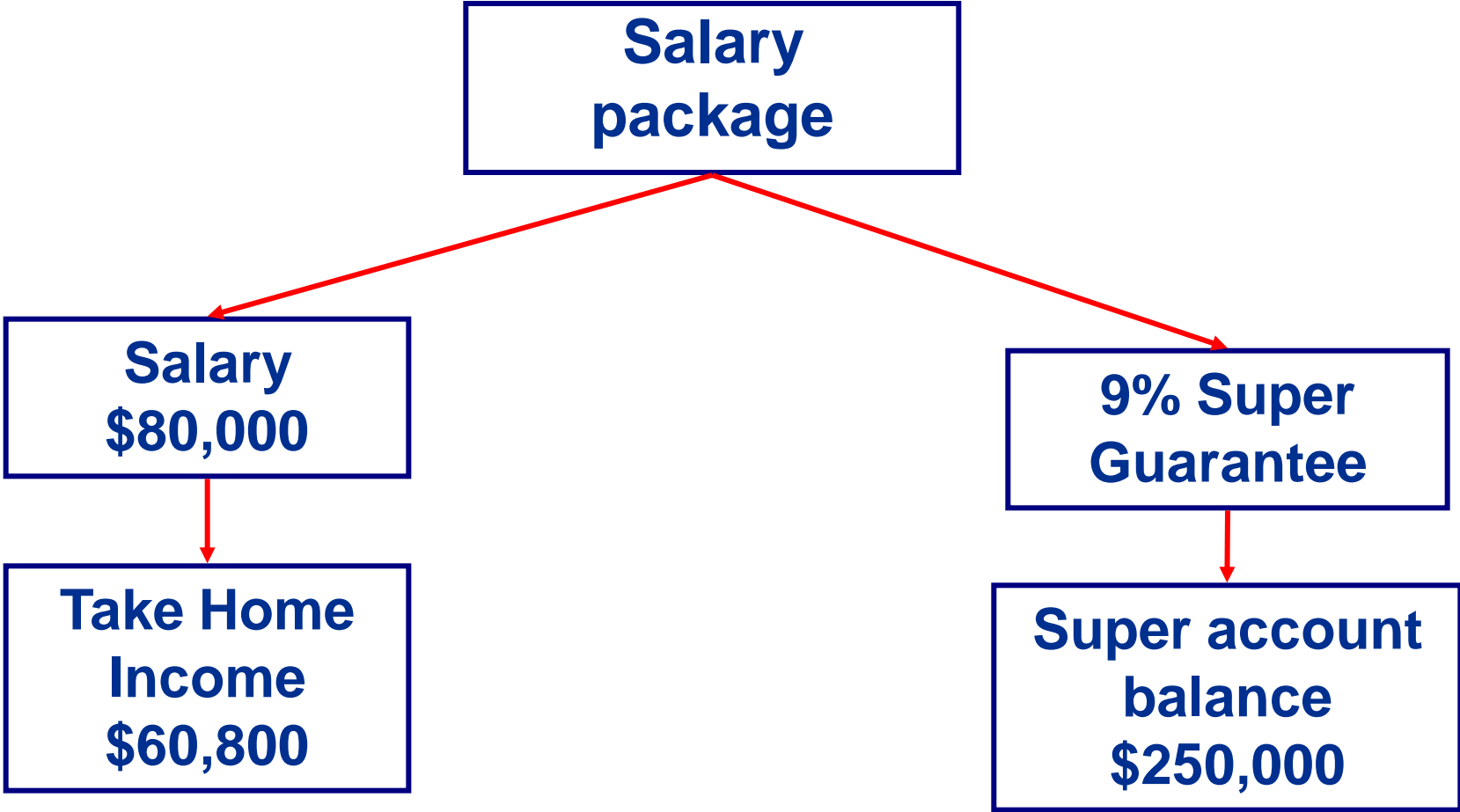
David, 55, wants to retire at 65 and work full-time until then. He is concerned that he will not have enough to fund his lifestyle in retirement

He earns \$80,000 per year, \$60,800 after tax and Medicare levy

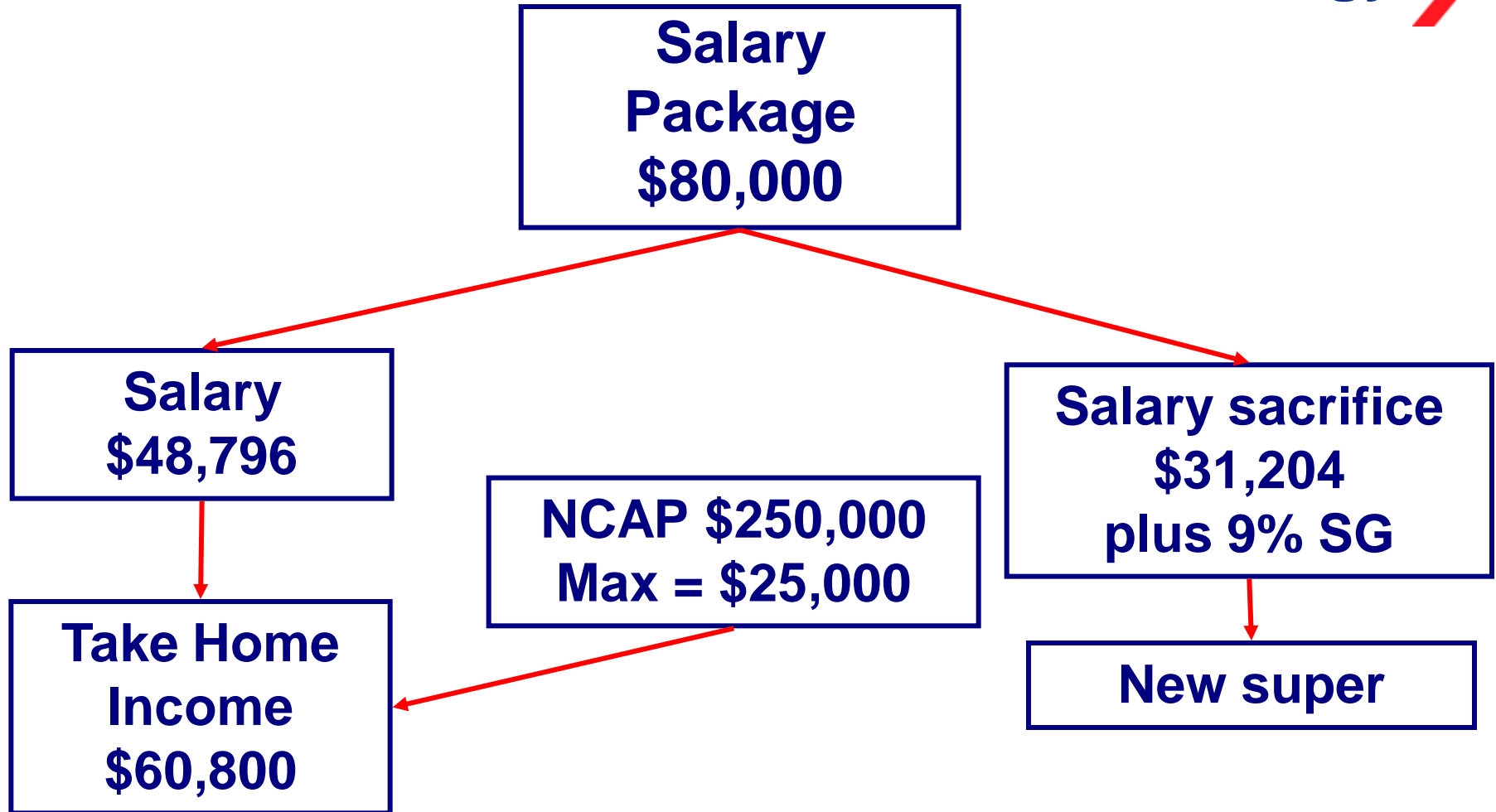
David has \$250,000 in super (all taxable)

On 1 July 2008 David rolls over all his super into an NCAP and chooses the maximum pension payment of \$25,000 (Year 1)

Current situation



NCAP strategy



The projections in this strategy are based on various assumptions, including but not limited to: maximum pension payment = \$25,000 in year 1; salary sacrifice = \$31,204 in year 1; no change in take-home pay before/after strategy; no change in risk profile; estimated investment return (Defensive portfolio) = 5.1% pa (super), 5.9% pa (pension); all investment earnings figures are after tax and after fees; no change in Super Guarantee contributions, ie 9% of \$80,000; ongoing administration fees are not included.

Estimated gain

- It's estimated that this strategy will provide an extra amount of around **\$72,200** in super by age 65
- The Transition to Retirement strategy has only altered the manner in which you receive your cash flow but maintained the same level of after tax income

Three tax advantages gained

1. Salary sacrifice taxed at 15% compared to salary at up to 46.5%
2. Earnings and capital gains are tax-free in the NCAP compared to tax of 15% in accumulation phase
3. NCAP income is either rebatable or tax free compared to salary which is fully taxable

Benefits are not affected by market movements



redefining / financial services

What happens at retirement ?

Upon retirement your superannuation can be

- Used to commence an income stream through an account based pension, or
- Withdrawn as a lump sum (tax may apply)

Age	Tax Free Component	Taxable Component
Preservation age to age 59	Tax Free	First \$145,000 = 0% Excess = 16.5% tax
60 and over	Tax Free	Tax Free

Benefits of an account based pension

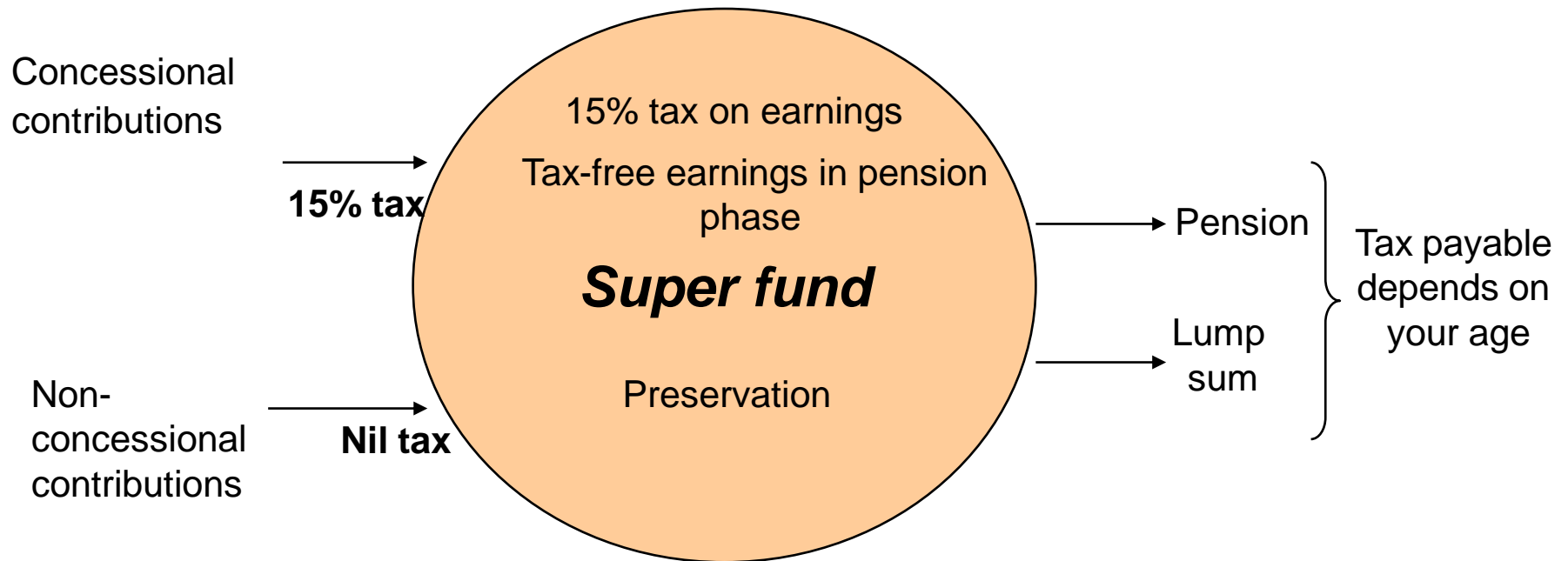
- Tax Free Pension Income when over age 60
- Nil investment earnings or capital gains tax (CGT) from investments
- Ability to make withdrawals from pension
- Elect the amount of income that you wish to draw (subject to minimum thresholds)

What if you have retired and have an account based pension

In the current market environment some options to assist you maintain capital may include:

- Suspend your current payments
- Roll back to the accumulation phase
- Reduce your level of payments (subject to the minimum)

Superannuation summary



Super is not an investment - it is a structure for holding assets



redefining / financial services

Where can I find out more ? 

For more information or to discuss your financial position please contact

Mark Butters and Adrian Loader

Silverstream Financial Solutions

www.silverstream.com.au



redefining / financial services

Important Information

This presentation has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making a decision, you need to consider whether this information is appropriate to your needs, objectives and circumstances.



redefining / financial services