



# ALL ABOUT RETIREMENT

## Your future comes **FIRST**

This brochure outlines some of the things you'll need to consider when planning for retirement, including how much you need. We'll explain how you can boost your super in the years before you retire, gradually ease into retirement and maintain the security of a regular income in retirement.

It's important to start thinking about and planning for retirement once you reach your 50s. There are many different ways you can begin to prepare for retirement, but no matter what plans you make the earlier you begin the better. This doesn't mean you can't make a difference if you start later. All that's important is that you make a start.

Regardless of your age or situation, First Super can help.

If you have any questions or need advice regarding your super or retirement options, please call our Member Services Team on **1300 360 988** or email [mail@firstsuper.com.au](mailto:mail@firstsuper.com.au).



## HOW MUCH SUPER IS ENOUGH?

The big question is – how much super will you need for retirement? The answer? Well, it depends.

A good starting point is the Association of Superannuation Funds of Australia (ASFA) Retirement Standard\*. It provides a helpful guide on how much you'll need each year to live a modest or a comfortable lifestyle in retirement

- > A **modest lifestyle** provides a slightly better lifestyle than relying solely on the Age Pension. It allows for some basic leisure activities.
- > A **comfortable retirement** is one that allows for a wider range of leisure activities, including private health insurance, a reasonable car, good clothes and a range of electronic equipment and household goods and the occasional international holiday. Retirees who plan for this type of retirement can benefit from a better standard of living.

The latest figures from ASFA show that a single person† aged around 65 would need \$43,695 per year and couples would need \$60,063 per year for a comfortable retirement. To achieve this income, a single person would need to have saved \$545,000 and couples \$640,000 at retirement.

These figures are a useful starting point, but what do they really mean for you?

Money



vs

Time



Thinking about how much money you'll need in retirement is only half the picture. Have you given any thought to your lifestyle in retirement? What type of activities do you enjoy and what are your goals? For those who haven't given it much thought, why not start by listing the things you'll miss about work. Your answer might include the social interaction, a sense of achievement or a sense of identity. Next, make a list of activities that will satisfy those needs. This should give you a good idea of how you would like to spend your retirement.

Don't miss out on doing the things you enjoy. Taking the time now to plan the next stage of your life can make all the difference.

\* The ASFA Retirement Standard is available at [www.superannuation.asn.au/resources/retirement-standard](http://www.superannuation.asn.au/resources/retirement-standard). All figures shown are based on the June Quarter 2017, national, and are in today's dollars using 2.75% Average Weekly Earnings as a deflator and an assured investment earning rate of 6%. They are based on the means test for the Aged Pension with effect from 1 January 2017. These figures don't account for inflation, the cost of living may be higher when you retire.

† Calculations for a single person are based on figures for females.



## EASE INTO RETIREMENT

Planning for life beyond work can be an exciting time. It's also a time to make your super work harder for you, whether you plan to completely stop work, reduce your hours or keep working. No longer does retirement mean you're working one day and retired the next. The options available to you are:

1.

**Maintain your current income and boost your retirement savings**

2.

**Reduce your working hours and supplement your income while you Transition to Retirement**



# 1.

## Maintain your current income and boost your retirement savings

If you want to boost your super before you retire, then a Transition to Retirement strategy might be just the ticket. You might be years away from wanting to retire but by using this strategy you can tax-effectively boost your super at the same time as withdrawing part of it while you continue working.

Here's how it works:

- 1 Open a First Super Transition to Retirement Allocated Pension account (TTR) using some of your super money.
- 2 Your investments in your First Super TTR are taxed at 15% but over time could help you to grow your super. If you're 56 to 59 the taxable portion of your pension payments are taxed at a marginal rate, but you might receive a tax-free amount and be eligible for a 15% tax offset on any taxable portion. If you're aged 60 and over any payment you draw could be tax-free.
- 3 The extra income you receive from your TTR allows you to contribute extra into your existing super account from your before-tax salary (salary sacrifice).

This means you'll receive the advantage of saving on income tax when you make salary sacrifice payments to your super and through the tax concessions available on pension payments drawn from your TTR. The end result is more going into your super than you have coming out.

The case study on this page demonstrates how a Transition to Retirement strategy can help to boost your super.

See the back page to find out your preservation age (the date at which you can access your super).

### Boost your super with a First Super TTR account

Andy is 58, earns \$100,000 p.a. and has a super balance of \$220,000.

Andy intends to keep working full-time. He wants to continue to earn his current net income but maximise the tax-effectiveness of his super.

Andy decides to transfer most of his super to a TTR account.

He also salary sacrifices \$15,500 p.a. into super. This saves income tax but reduces his take-home pay.

Then Andy withdraws 10% of his TTR account balance each year, which boosts his overall income back to the current level.

Andy's take-home pay stays the same. Overall he'll save around \$700 tax in the first year. This means Andy will have more money in super when he finally stops work.

The table below shows how a TTR strategy will help Andy to have more money in his super when he stops working.

	Current	Transition to Retirement strategy
Gross income	\$100,000	\$100,000
Minus salary sacrifice	\$0	-\$15,500
TTR income	\$0	\$12,441
Taxable income	\$100,000	\$96,941
Minus tax and Medicare levy	-\$26,632	-\$23,573
<b>Take home pay</b>	<b>\$73,368</b>	<b>\$73,368</b>
Super contributions: employer contributions	\$9,500	\$9,500
Super contributions: salary sacrifice	\$0	\$15,500
Investment returns	\$15,400	\$15,400
Minus contributions tax	-\$1,425	-\$3,750
Minus TTR drawdown	\$0	-\$12,441
Minus tax on earnings	-\$1,386	-\$1,386
<b>Net gain in super</b>	<b>\$22,089</b>	<b>\$22,823</b>
Total tax paid	\$29,443	\$28,709
<b>Combined tax savings</b>		<b>\$734</b>

Take home pay stays the same!

\$734 more goes into super

Because he pays less tax

Andy's strategy in the table above used these assumptions:

- Andy leaves \$5,000 in super to keep his account open. Investment returns in super are taxable.
- The same employer super contributions for Andy's current situation and for his TTR strategy which are 9.5% of his salary. (Your employer does not have to pay super on amounts you salary sacrifice; however, most employers will continue to pay super on your gross earnings.)
- Investment returns based on earnings of 7% and an average tax rate of 9% on super fund earnings.
- Concessional super contributions are capped at \$25,000 for everyone for 2017/18.
- Andy's concessional contributions are taxed at 15% when they are received by his super fund.
- Andy's investment returns in super are taxed at a maximum of 15%, but may be lower if tax offsets such as dividend franking credits apply.
- Andy's investment returns in his pension account are taxed at a maximum rate of 15%.
- The amount of TTR pension that can be withdrawn each year by Andy must be between the minimum 4% and maximum 10% of the account balance.

Source: Australian Securities and Investments Commission moneysmart website, July 2017.

## 2.

## Reduce your working hours and supplement your income while you transition into retirement

You can also use a Transition to Retirement strategy to reduce your work hours and supplement your regular income. A First Super TTR will provide a regular income in place of your reduced level of work income. The only downside from using a Transition to Retirement strategy to reduce your work hours is that it may leave you with less money for retirement.

Read the case study to see how a Transition to Retirement strategy can help you reduce your hours and maintain your income.

With all these benefits, come a few rules:

- > You can make concessional contributions to your super account, currently capped at \$25,000 for the 2017/18 financial year.
- > You must receive at least one payment during the financial year and there is a minimum payment based on your age and account balance.
- > You can draw up to 10% of your First Super TTR account balance each financial year, that can be made as one single payment.
- > In order to set up a First Super TTR, you must have at least \$10,000 in super.

### Reduce your hours with a First Super TTR account

Susan has just turned 60, earns \$50,000 p.a. after tax and has a super balance of \$160,000.

She decides to work only three days a week so that she can ease into retirement. This means her income from work will drop to around \$30,000 p.a. after tax. While Susan can afford to reduce her take-home pay to some extent, by using a TTR account she can draw money from her super to replace some of the lost income.

Susan transfers \$155,000 of her super balance to a TTR account and begins drawing a pension of around \$9,000 p.a. tax-free. This supplements Susan's income of \$30,000 p.a., giving her a total after-tax income of \$36,603 p.a. While Susan continues to work part-time, her super balance continues to grow and she saves around \$6,400 in tax each year.

If Susan had chosen to retire completely instead of cutting back to part-time work, her super balance would be dropping by large amounts each year. The table below shows Susan's financial situation if she sets up a TTR account.

	Current	Transition to retirement strategy
<b>Take home pay drops a bit</b>		
Gross income	\$50,000	\$30,000
TTR income	\$0	\$9,000
Taxable income	\$50,000	\$30,000
Minus tax and Medicare levy	-\$8,547	-\$2,397
<b>Take-home pay</b>	<b>\$41,453</b>	<b>\$36,603</b>
Super contributions: employer contributions*	\$4,750	\$2,850
Investment returns*	\$11,200	\$11,200
Minus contributions tax	-\$712	-\$427
Minus TTR drawdown	\$0	-\$9,000
Minus tax on earnings†	-\$1,008	-\$1,008
<b>Net gain in super</b>	<b>\$14,230</b>	<b>\$3,615</b>
Total tax paid	\$10,267	\$3,832
<b>Combined tax savings</b>		<b>\$6,435</b>

Super is still growing

Large tax saving

Assumptions:

\* Investment returns are based on earnings of 7%.

† Investment returns are taxed up to 15%. However, offsets like dividend imputation credits often reduce the tax paid on a diversified investment portfolio. In this case study an average tax rate of 9% on super fund earnings has been used.

Susan is enjoying her extra days off, comfortable in the knowledge that her super will continue to grow until she is ready to retire.

Source: Australian Securities and Investments Commission moneysmart website, July 2017.



# READY TO RETIRE

The biggest question around retirement is often “how can I maintain the comfort and security of a regular income in retirement?”

To get you started on your journey, here are some of the benefits of a First Super Allocated Pension account:

- ✓ **Flexible income in retirement**  
You can choose the amount of payments\* and the frequency with fortnightly, monthly, quarterly, half-yearly or yearly payments
- ✓ **Access lump sum withdrawals**  
You can draw down lump sums or the entire account balance as you need (minimum payment \$1,000)
- ✓ **Pay less tax**  
First Super’s Allocated Pension has many tax advantages, including no tax<sup>†</sup> on pension payments or investment earnings
- ✓ **Take care of loved ones**  
A First Super Allocated Pension lets you decide who gets your account balance in the event of your death by making a Binding Beneficiary Nomination
- ✓ **Peace of mind**  
If your circumstances change, you can transfer the balance of your Allocated Pension account back into a super account.

If you have any questions about the First Super Allocated Pension please call our Member Services Team on **1300 360 988**, or email us at [mail@firstsuper.com.au](mailto:mail@firstsuper.com.au).

<sup>†</sup> Based on current tax regulations for age 60 and over.

\* You must draw the minimum pension payment based on the table below.

Minimum age	Minimum annual percentage of account balance
55-64	4
65-74	5
75-79	6
80-84	7
85-89	9
90-94	11
95+	14

At First Super we understand that starting a pension isn’t just a decision about money. It’s an important lifestyle choice that often comes with a lot of questions.

## The Age Pension

Australians enjoy one of the world’s longest life expectancies, which means we have to plan for more time in retirement. The Age Pension is an important part of this planning process as it contributes to the retirement income mix for most Australians.

In an ideal world, you would have enough super to see you through your retirement.

However, not everyone can fully fund their own retirement. That’s why the Australian Government designed the Age Pension to act as a safety net and offer a supplement to other retirement incomes. However, it is important to note that the Age Pension is considered the minimum amount you can live on and is not designed to fund a comfortable retirement lifestyle.

For more detailed information about the Age Pension, including the appropriate thresholds and other Government benefits, contact Centrelink.

If you would like to discuss the Age Pension, our Financial Planners can help. Please call **1300 360 988** or email us at [mail@firstsuper.com.au](mailto:mail@firstsuper.com.au).

## Advice you can trust

At First Super, your needs come first. No matter what stage you're at or what type of superannuation service you need, we've got you covered.

We all want the flexibility to do the things we want and enjoy in retirement. A First Super Financial Planner<sup>^</sup> can help you evaluate your financial situation and come up with strategies to prepare for retirement, such as looking at ways to increase your savings and how to maximise your entitlements. They can also explain how contributions, investment options and retirement age all impact on your retirement income.

There's a lot to consider as you approach retirement. Call our Member Services Team on **1300 360 988** to make an appointment with one of our Financial Planners – the first appointment is free! If you choose to go ahead with the advice, your Financial Planner will provide you with an upfront cost so there are no surprises along the way.

<sup>^</sup>Financial Advice will be provided by Industry Fund Services Ltd (IFS) (ABN 54 007 016 195, AFSL 232514) or an IFS Authorised Representative.

### Important information:

The material contained in this brochure is accurate and reliable as at September 2017. This information is of a general nature only and does not take into account your personal circumstances or situation. We recommend that you seek qualified financial advice before making any investment decision. This brochure is provided by First Super Pty Ltd ABN 42 053 498 472, AFSL No. 223988, as the Trustee of First Super ABN 56 286 625 181. If you intend to invest in or continue to hold this product you should obtain and consider a copy of the Product Disclosure Statement which is available by phoning 1300 360 988.

## Preservation Age

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

**WE'RE HERE TO HELP.**

**SO LET'S TALK.**

If you would like to discuss your retirement options or if you have any other questions, please call our Member Services Team on **1300 360 988**, or email us at [mail@firstsuper.com.au](mailto:mail@firstsuper.com.au).