Transition to Retirement (TTR)

Most people still think of superannuation as the nest egg you can't access until you retire. But once you've reached your preservation age, you can actually access your super while you're still working.

How does a Transition to Retirement (TTR) strategy work?

Once you reach your preservation age, you can open a First Super TTR Pension account that sits alongside your regular First Super account. Then, you can transfer money from your super account into your new TTR Pension account and start drawing an income.

You need to keep some money in your super account to continue to receive your employer's compulsory super payments and any additional contributions you wish to make.

What is my preservation age?

Date of birth	Preservation age
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
From 1 July 1964	60

Two ways you can use a TTR strategy

Option 1: Save more super

- Grow your super faster by making extra contributions from your salary
- Pay less tax on a reduced salary

OR

Option 2: Work less

- Work fewer hours
- Withdraw money from your TTR Pension account to make up the income gap

With either option, you can live off your normal amount of pay by starting to draw small amounts from super.

Option 1: Boost your super balance

Boost your super savings by sacrificing part of your salary into super.

- You contribute more of your salary into super, which reduces your take-home pay.
- You top up your reduced pay with money drawn from your TTR account.

You now receive enough income to cover your living expenses.

Positives

- More money into super. Your salary sacrificed contributions are only taxed at 15%, which is likely to be lower than your usual tax rate if you'd taken that money home in your regular pay.
- If you are aged 60 or over, your TTR payments will be tax free.

Negatives

- If you draw down more than you are contributing to your super, you'll have less money when you do retire.
- The rules can be complex. You must withdraw at least 4% and no more than 10% of your TTR balance in a financial year.

Option 2: Work fewer days/hours

Reduce your work hours and ease into retirement.

- Work fewer hours with your employer, reducing your take-home pay.
- Top up your reduced pay with money drawn from your TTR account.

You now receive enough income to cover your living expenses without having to work as much.

Positives

- Ease into retirement; take time to look after yourself and your family, and potentially extend your career by working less.
- Continue to receive super contributions from your employer, which helps replace the money you take out.
- If you are 60 or older, your TTR pension payments will be tax free.

Negatives

- If you start drawing down your super early, you'll have less money when you fully retire.
- The rules can be complex. You must withdraw at least 4% and no more than 10% of your TTR balance in a financial year.

Save more with TTR

Robert has just turned 60. He works full time and earns about $65,000 per year, all of which is being used to cover his ongoing living costs.

Robert's net take home pay is $52,133. He needs to continue earning the same amount, but also wants to save more for his retirement.

Money that is salary-sacrificed into Super is subject to less tax, so a Transition to Retirement (TTR) account can help Robert maintain his take-home pay, while contributing to his super and limiting his tax obligations.

How it works

Robert has $200,000 in his super.

He has calculated that if he can take out $12,200 per year out of his super, he will be able to make additional contributions to super while maintaining his take-home pay and cover his living expenses, while he also saves money on tax.

To do this, he opens a TTR account in addition to his original superannuation account. He is legally allowed to take out 10 per cent of the money in his TTR each financial year tax free, so he moves $122,000 from his original super account into his TTR and leaves $78,000 in his super.

He then sets up his TTR to pay into his regular bank account fortnightly, creating a tax-free income stream.

This extra income means he can salary sacrifice $20,000 of his wage into his super. This reduces his PAYG income tax, while the TTR income stream maintains his same overall take home pay.

So Robert still takes home $52,133, it's just that $12,200 comes tax free from his TTR instead of his taxed salary – and because he has salary sacrificed a portion of his wage into his regular super account, he saves $4,800 in net tax, while also contributing an extra $4,800 into his super, which will boost his super balance for when he eventually decides to retire.

Benefits

Robert can:

- **boost his super while saving more tax**
- **use his TTR to replace income that is salary sacrificed into super.**

Work less with TTR

Colin has just turned 61 and has been offered an opportunity to job share and reduce his working week to 2 ½ days. He takes the offer, but would still like to maintain the same level of income.

He earns $80,000 a year before tax and is looking forward to retiring at 65. He has $400,000 in his super fund.

By starting a TTR, Colin is able to reduce his hours and maintain the same level of income.

Colin's salary will reduce to $40,000 a year before tax, or about $36,000 a year after tax. Colin can transfer his $400,000 into a TTR income account then receive payments of $24,000 to supplement his reduced income.

Benefits

Colin can:

- **ease into retirement or extend his career by working less**
- **use his TTR Income account to replace any reduced salary**
- **continue to grow his super as he keeps working.**

Next steps: TTR can be complex. It's a good idea to get advice to see if this strategy is right for you.

Want to know more? We're here to help

Call our Member Services Team on **1300 360 988** or talk to your local Member and Employer Services Coordinator.

Read more about transition to retirement on our website **firstsuper.com.au/retirement**

Watch our FIRSTtalk video on this topic at **firstsuper.com.au/first-talk**

Go to **firstsuper.com.au/advice/super-health-check/** to book a retirement health check, or go to **firstsuper.com.au/advice** to see if our Financial Advice Team* could help you.

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The material contained in this bulletin is accurate and reliable as at December 2022.