GETTING RETIREMENT READY

5 STEPS FOR PLANNING YOUR FUTURE

FIRST super

IT'S IMPORTANT TO START PREPARING FOR RETIREMENT EARLY – EVEN IF IT'S HARD TO IMAGINE WHAT A LIFE WITHOUT WORK WILL LOOK LIKE.

By doing this, you'll put yourself in a better position financially, and give yourself more choice over how you spend your days once you finish working full time.

In this booklet, we explore five key steps for achieving your desired future lifestyle.

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> For more information about any underlined words or phrases you see in this booklet turn to the Glossary.

1 A CLOSER LOOK AT YOUR FUTURE INCOME

HOW MUCH SUPER IS ENOUGH?

While everybody is different, a good starting point for working out how much super you'll need in retirement is the Association of Superannuation Funds of Australia (ASFA) Retirement Standard.

The Standard is a budget that shows how much money it takes to live "modestly" or "comfortably" in retirement. It covers the basics, like food and utility bills, and then factors in additional costs for your desired lifestyle.

For example, a dream overseas holiday would require a "comfortable" lifestyle budget, but if your plan is to caravan around Australia, you could probably achieve this on a "modest" lifestyle budget.

Below is the yearly budget (in today's dollars) needed for a modest or comfortable lifestyle, as well as the Age Pension over the same period.

RETIREMENT STANDARD

Your situation	**Modest lifestyle** *(budget required per year)*	**Comfortable lifestyle** *(budget required per year)*	**Age Pension^** *(per year)*
Single	$29,632	$46,494	$25,678
Couple	$42,621	$65,445	$38,709

Source: The Association of Superannuation Funds of Australia, March quarter 2022, national. The Standard is updated quarterly. To see the current budget go to **superannuation.asn.au**.

^ Source: Services Australia, June 2022, How much you can get, **servicesaustralia.gov.au**. Amounts are approximate and include supplements.

As you can see, on its own the Age Pension wouldn't cover either budget. This is why super is so important. It works in combination with other sources of income to provide you with enough money for your retirement.

A CLOSER LOOK AT YOUR FUTURE INCOME (CONTINUED)

HOW LONG WILL YOUR SUPER NEED TO LAST?

Australians are living longer than ever, meaning your super and other savings may need to last 20 years or more.

By factoring "years in retirement" into your planning, you'll have a better understanding of how much you can spend – and greater peace of mind.

According to ASFA, to live comfortably in retirement single people will need $545,000 of retirement savings, and couples will need $640,000.[#]

If you don't have half a million dollars handy, don't despair! For a modest lifestyle, you'll need far less. And don't forget, it will stretch a lot further if you're using it in combination with payments from the Age Pension.

At the end of the day, the question you must ask yourself is: "Will this be enough for the retirement I want?"

If the answer is no, a figure in between "modest" and "comfortable" could be both realistic and achievable if you take action now.

[#] Source: Super Guru (initiative of ASFA)
www.superguru.com.au/retiring/how-much-super-will-i-need

YOUR INCOME NEEDS WILL CHANGE OVER TIME

While the Retirement Standard shows us the yearly budget needed for retirement, remember that your lifestyle – and your spending habits – will change over time. This means you're unlikely to need the same level of income every year, especially as you get older. This is commonly referred to as the three phases of retirement.

PHASE 1: ACTIVE YEARS

Your focus now is on spending time with family and friends, picking up some hobbies, and travelling, with maybe the odd bit of work here and there. This is when you're likely to spend the most money during your retirement.

PHASE 2: PASSIVE YEARS

As you spend more time at home, your travel and leisure costs are likely to reduce. You may find yourself spending more on health insurance and related expenses.

PHASE 3: AGED CARE YEARS

During the later years of your retirement, you may no longer live independently and are likely to need more help with daily activities. Consider planning for this period early so you have the necessary funds set aside for care and support.

2 WHAT YOU NEED TO KNOW ABOUT THE AGE PENSION

Depending on the year you were born, you could qualify for the Age Pension from age 66 and six months. You must also meet eligibility criteria, including being an Australian resident.

Not everyone who is eligible for the Age Pension will receive the same amount. This is because Age Pension payments change depending on whether you're single or part of a couple, and your existing wealth.

To assess your existing wealth, the Government applies an assets test and an income test.

The **Assets Test** considers anything you own or part-own here or overseas, including your superannuation, business, car, investment properties, private trusts and more, but generally does not include your main home.

The **Income Test** uses "deeming" to assume a rate of income from sources including superannuation and a range of investments, plus any income from employment.

Whichever test results in a lower pension amount being paid is then applied to you. This may be the full Age Pension or a reduced rate. Over time the payments you receive are likely to vary, either because your circumstances change, or because the Government adjusts the rules or payment rates.

> To find out more about the assets and income tests, go to the Services Australia website at **servicesaustralia.gov.au**.

KEEP MORE OF YOUR INCOME WITH THE WORK BONUS

Did you know you can earn $300 of fortnightly income from an employer without it reducing your Age Pension payments?

3 BOOSTING YOUR SUPER

Unless you're fully retired and taking super as an income stream or lump sum, there are ways to boost your account balance all the way up until age 75. (And beyond if you make a downsizer contribution.)

CONTRIBUTION CAPS

When boosting your super, keep in mind the limits, known as "contribution caps". These restrict how much you can contribute to super each financial year. Remember, if you're still working, your employer's regular contributions will be counted too.

If you go over the caps, you could be forced to pay extra tax.

The Government may adjust these caps from time to time. See the current financial year limits below.

Contribution type	
Before-tax (concessional)* • Employer super guarantee (SG) contributions • Salary sacrifice • Personal tax-deductible contributions (subject to the work test – see p15 Glossary for more)	***After-tax (non-concessional)**** • Voluntary contributions (regular or lump sum) • Super Co-contributions • Spouse contributions
Cap: $27,500	**Cap: $110,000**

Turn the page to find out more about the different ways to boost your super.

For the 2022/23 financial year.

BOOSTING YOUR SUPER (CONTINUED)

BEFORE-TAX (CONCESSIONAL) CONTRIBUTIONS

Before-tax contributions can be a good option for those on medium-to-high incomes. You only pay 15% tax on super contributions instead of your personal income tax rate, which is generally much higher.

Salary sacrifice

Where your employer agrees to regularly contribute to super on your behalf from your before-tax salary (on top of SG). Not only are you boosting your super, you could also benefit from paying less income tax on your reduced salary.

Personal tax-deductible contributions

The same outcome as salary sacrificing, but a different way to go about it. Save up and contribute to super after tax by BPAY® or EFT whenever you're ready. Because you claim a tax deduction later, it counts towards your before-tax contributions cap. The work test may apply to these types of contributions.

Carry forward ("catch-up") rule

Give yourself more opportunities to maximise your contributions by carrying forward any unused before-tax contributions cap into future years. For example, if you contributed only $15,000 to super last financial year, you could contribute $40,000 this financial year. We recommend seeking financial advice to help you work out your unused carry-forward amount, as conditions do apply. Find out more at **firstsuper.com.au/carry-forward**.

GROW YOUR SUPER

Go to **firstsuper.com.au/grow-my-super** for more information about boosting your super and any rules and restrictions.

To explore which type of contribution might be best for you, use the Super Contributions Optimiser at **firstsuper.com.au/calculators**.

AFTER-TAX (NON-CONCESSIONAL) CONTRIBUTIONS

You won't pay contributions tax on these top-ups as you've already paid income tax. The flexibility of after-tax contributions could work in your favour if you're on a lower income or have a windfall. Contribute regularly or on one-off occasions as it suits you.

✔ Voluntary contributions

These are contributions you make to your super by EFT or BPAY® from money already in your bank account. Simply complete the *Contribution Form* on our website.

✔ Super Co-contributions

Contribute a little money to super (after tax) before the end of the financial year and the Government will add up to 50c for every dollar, up to $500. This will be added to your super automatically after you submit your tax return, provided you meet eligibility criteria, including earning less than $57,016. Find out more at **firstsuper.com.au/co-contribution**.

✔ Lump sum contributions

Pay up to $110,000 after tax to super without worrying about attracting any contributions tax. Can be useful if you come into some money e.g. an inheritance or proceeds from a sale. You may even be able to contribute more than this – see below.

✔ Bring forward rule

If you're under age 75, you can make up to three years' worth of after-tax contributions to your super in a single income year. This means you can contribute up to $330,000 – or three times the current $110,000 annual non-concessional contributions cap – into your super in one financial year without having to pay extra tax.

✔ Downsizer contribution

If you're a homeowner aged 60 or over you could boost your super with proceeds from the sale of your main residence (up to $300,000 for individuals or $600,000 as a couple). Rules apply, including needing to have owned the home for more than 10 years and making the contribution within 90 days of settlement. Bear in mind this money will count towards your Age Pension eligibility.

4 ACCESSING YOUR SUPER

You've done the hard work saving – when can you start enjoying your super?

Generally, you can access your super when you retire (or partly retire) and reach preservation age, which is age 59 or older depending on when you were born.

Where do you fit in the table below?

WORKING OUT WHEN YOU CAN ACCESS YOUR SUPER	
Have you reached preservation age?	**No.** Then you can't access your super except under special circumstances.
Have you reached preservation age and permanently retired?	**Yes.** Then you can access your super in full. *However*, if you are under age 60, different tax rules apply.
Have you reached preservation age and partly retired?	**Yes.** Then you can access some of your super, but only as part of a Transition to Retirement strategy.
Are you age 65 or over?	**Yes.** Then you have full access to your super regardless of your employment status.

There are two main ways to start withdrawing your super.

1. RETIRING SLOWLY WITH A TTR STRATEGY

TTR stands for "Transition to Retirement". It's a way of slowly preparing to retire, instead of completely stopping work and taking your super benefits. You could use a TTR strategy to:

BOOST YOUR SUPER

Focus on growing your super faster by sacrificing part of your salary into super. By reducing your take-home pay, you'll also cut your tax bill.

OR

WORK LESS

Start winding back your working hours to ease into retirement. You'll have more me time, time with family, and more opportunity to pursue any hobbies or outside interests.

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

Along with the benefits of a TTR strategy come a few rules.

These include staying under the contribution caps if you're boosting your super (see p7), and having at least $10,000 in your account to get started. Minimum and maximum limits also apply to how much you can draw as an income.

To find out more go to **firstsuper.com.au/ttr**.

ACCESSING YOUR SUPER (CONTINUED)

2. OPENING A FIRST SUPER ALLOCATED PENSION ACCOUNT

Opening a pension account upon retirement gives you more control and flexibility over your super than a TTR strategy. Here are some important things to know about how a First Super Allocated Pension works.

> You can control the amount of payments# you receive and choose the frequency.

> You can withdraw lump sums or your entire balance (minimum payment $1,000).

> You pay no tax on investment earnings, and no tax on pension payments if you are over age 60.

> You can choose who will receive any remaining super if you pass away.

> You can transfer your pension balance back to super if your circumstances change.

To learn more about the First Super Allocated Pension, read the *Pension Product Disclosure Statement* on our website at **firstsuper.com.au/pds** or call us.

MAKING THE RIGHT CHOICE FOR YOUR RETIREMENT

Before you commit to a TTR strategy or open an Allocated Pension Account, we'd recommend speaking to a First Super Financial Planner.*

They can help you plan the right move for your future – and ensure you're maximising any Government entitlements.

See more about financial advice through First Super on the following pages.

#The Government sets minimum drawdown limits for super pensions based on your age and a percentage of your account balance. Refer to the Australian Taxation Office website at **ato.gov.au** for the current limits.

*First Super Financial Planners are authorised representatives of Industry Fund Services Limited (ABN 54 007 016 915, AFSL 232514).

5 GETTING THE RIGHT ADVICE

Expert financial advice can be a game-changer for your retirement. First Super's team of Financial Planners* can help you:

- invest your super effectively as you approach or step into retirement
- project how long your super is going to last
- choose the best way to start withdrawing your money
- prepare for retirement on your own or as a couple
- reduce your tax liability, and
- maximise any Age Pension and other benefits.

HOW TO ACCESS ADVICE – AND WHAT IT COSTS

Advice about your First Super account is covered by your membership, meaning there are no extra costs. For advice that goes beyond your super account or is complex, fees will apply. Any fees will be disclosed upfront and you can always choose not to proceed – no strings attached.

GET IN TOUCH OR BOOK AN APPOINTMENT:
For more information about our Financial Advice Team, or to book an appointment, visit **firstsuper.com.au/advice** or call us on **1300 360 988**.

Read through the case studies on the next page to see how financial advice can help in a variety of situations.

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CASE STUDIES

THERE'S NO ONE-SIZE-FITS-ALL FINANCIAL PLAN

See how three different situations require three different sets of advice.

ANGIE

Angie is divorced with two adult children. Because she has taken time out of work, she only has $80,000 in super. She is only 50 but is worried about her future.

Angie's children move out, reducing her expenses slightly. Her financial advisor suggests she makes regular personal tax-deductible contributions to super on top of SG, as well as an after-tax contribution each year so she receives the Super Co-contribution.

Over the next 15 years, Angie grows her super balance enough that she has extra money to spend on top of the Age Pension when she retires.

RANJIT

Ranjit, age 60, has $150,000 in super and was recently made redundant by his long-term employer. He has trouble finding a new job, and after a health scare decides to retire earlier than planned. His goal is to live off his redundancy payment until he can access the Age Pension, but he doesn't know if he's better off investing in super or the share market.

Ranjit's financial advisor reviews his financial situation and goals and recommends investing a lump sum from his redundancy payment into super so he can draw a regular, tax-effective income.

LYNN & PHILLIP

Lynn and Phillip want to retire early and travel. Both have high-paying jobs and have contributed to super regularly over the years. However, they are unsure whether their super will stretch to cover their aged care years.

Their financial advisor helps them work out how long their super is projected to last and suggests a growth-based investment strategy, as well as delaying retirement until the next financial year to minimise their tax.

Lynn and Phillip retire later than planned, but their super will last longer and they'll pay less tax.

GLOSSARY

AGE PENSION. The Age Pension acts as a Government safety net to supplement your superannuation and other sources of retirement income. On its own, the Age Pension is considered the minimum amount you can live on and is not designed to pay for a comfortable retirement lifestyle.

INCOME STREAM. This refers to regular payments made to you from your super once you have a opened a pension account. Also commonly known as a "super pension" or "super benefits".

PENSION AGE. This is when you can apply to access the Age Pension. The current pension age is 66 and six months. It will rise to 67 on 1 July 2023.

PRESERVATION AGE. This is the age you can access your super if you are retired or start a TTR strategy. This is not the same as the pension age (see above).

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

RETIREMENT STANDARD. Developed by the Association of Superannuation Funds of Australia, the Retirement Standard aims to help those planning for retirement work out how much they will need to spend each year. The Standard benchmarks the annual budget needed by the average Australian (both singles and couples) to afford either a comfortable or modest standard of living. It is updated quarterly to reflect inflation and is a commonly used benchmark across the superannuation industry. Find out more at **superannuation.asn.au**.

WORK TEST. If you are aged between 67 and 75 years old, you may need to meet the work test to claim a personal superannuation contribution deduction. This means being able to show you have been employed (including self-employed) for at least 40 hours in a consecutive 30-day period in a financial year. Once you are over age 75 you can no longer contribute to super (except for downsizer contributions).

Want to know more? We're here to help.

If you have any questions about your super, please contact the Member Services Team today.

Call: 1300 360 988

Email: mail@firstsuper.com.au

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