

Using Your Super to Support Transition to Retirement

Gone are the days of having to fully retire from work before you can begin to access your super.

People who are considering reducing their work hours in the lead up to retirement, but who are concerned about not having enough disposable income as a result can, through a superannuation transition to retirement (TTR) strategy, access part of their super to top up their income.

At the same time, a superannuation TTR strategy brings with it the opportunity to take advantage of unique and significant taxation benefits available only to members of super funds.

When can I start to access my super?

Many people assume that the only time they can access their super is once they fully retire. While this was the case when compulsory superannuation was first introduced in 1992, this has changed.

It changed in 2005 to reflect new approaches and attitudes to work—and retirement—with more people preferring to ‘ease’ into retirement via reduced work hours or consultancy work or other arrangements as opposed to the traditional approach of working full-time for one’s entire career, before going ‘full-time’ into retirement.

The determinant of when you can begin to access your super is not necessarily whether you are working full or part-time or occasionally. The determinant is your age, specifically what is called, in superannuation, your ‘preservation age’. Once you reach your preservation age you can begin to access your super.

For people born before 1 July 1960, their preservation age is 55 years. For those born between 1 July 1960 and 30 June 1961, it is 56 years. For those born between 1 July 1961 and 30 June 1962 it is 57 years. For those born between 1 July 1962 and 30 June 1963 it is 58 years. For those born between 1 July 1963 and 30 June 1964 it is 59 years and for those born on or after 1 July 1964 it is 60 years.

There are also limited exceptional circumstances¹ which allow people to access their super before their preservation age. These circumstances are mainly related to specific medical conditions or severe financial hardship.

If I can access my super, why don’t I just take it all?

Once you reach your preservation age, you can begin to access part of your super savings via a TTR strategy.

And when you turn 65, regardless of your work status, you have full access to your super savings.

For some people, the option of accessing some of their super savings may be attractive as they may choose to use funds to pay off debts such as mortgages.

The downside of such an approach is that your hard-earned superannuation account balance is meant to help fund the type of lifestyle you have been planning to live in retirement.

There may also be tax and loss of insurance consequences attached to such an approach compared to maintaining





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your super account and drawing an income via a TTR strategy. It is well worth discussing this issue in detail with your financial planner and super fund.

Also worth consideration is the well-documented risk that sudden access to significant amounts of money can lead to, with people perhaps spending more of their financial savings than they had planned and finding themselves short of funds a few years later.

TTR pension accounts

Assuming you have reached your preservation age, and would like to access part of your super, setting up a TTR super pension account is easily and quickly done. Your super fund will set up your TTR pension account into which you transfer some—but typically not all—of your super account balance.

You will often need to leave at least a small balance in your super account so that it remains open to receive ongoing employer super contributions and any voluntary contributions you choose to make.

It is well worthwhile discussing with your financial planner and super fund how much of your super account balance should be transferred to your TTR pension account.

In terms of the investment earnings generated on your super savings, it is important to note that the funds you have in both your super account and your TTR pension

account will continue to compound, and at the same rate.

Taxation advantages of TTR pension accounts

Successive Australian governments have committed to a range of tax advantages which are unique to superannuation. They have done so to encourage people to save for their future via contributing to their super. These tax advantages are part of the benefit people enjoy, the quid pro quo if you like, in return for their super contributions being locked away until they reach their preservation age.

When you set up a TTR pension account and continue to work (full or part-time), you can also continue to enjoy the unique super tax benefits that come from making voluntary contributions (e.g. by salary-sacrificing) from your salary to your super.

TTR pension account members who are still working (full or part-time) can make concessional contributions (e.g. Superannuation Guarantee paid by an employer and salary sacrifice contributions) of up to \$25 000 per financial year into their super. These contributions are taxed at the low rate of 15 per cent as compared to your marginal tax rate, which typically will be much higher.

In relation to the money you withdraw from your TTR pension account, these withdrawals are completely tax-free for those aged 60 and over. If you are aged 55–59, you may pay tax on the TTR income, but you will receive a tax

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offset equal to 15 per cent of the taxable portion of the income.

For those super fund members wishing to do more reading to determine whether a TTR pension account strategy is the right move now, or in the next few years, the Australian Securities and Investment Commission (ASIC) MoneySmart website contains excellent independent information² on this subject, including case studies on topics such as ‘Using a TTR pension to reduce work hours’³ and ‘Using a TTR income stream to maintain work hours and save tax’.⁴

legalsuper Client Service Managers are well-versed in the TTR strategy and would be delighted to discuss your TTR options and any other superannuation-related questions you have. The contact details for your local legalsuper Client Service Manager can be found at <https://www.legalsuper.com.au/about/client-service-managers>.

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1 See <https://www.ato.gov.au/individuals/super/accessing-your-super/early-access-to-your-super/>
 2 See <https://www.moneysmart.gov.au/superannuation-and-retirement/income-sources-in-retirement/income-from-super/transition-to-retirement>
 3 See <https://www.moneysmart.gov.au/superannuation-and-retirement/income-sources-in-retirement/income-from-super/case-study-transition-to-retirement-part-time-work>
 4 See <https://www.moneysmart.gov.au/superannuation-and-retirement/income-sources-in-retirement/income-from-super/case-study-transition-to-retirement-boosting-super>



Introduced & passed legislation

	Introduced	Passed	Amended
Northern Territory Environment Protection Authority Amendment Bill 2018	23/08/18		
Nuclear Waste Transport, Storage and Disposal (Prohibition) Amendment Bill 2018	23/08/18		
Electoral Amendment Bill 2018	22/08/18		
Water Legislation Amendment Bill 2018	22/08/18		
Training and Skills Development Amendment Bill 2018	16/08/18		
Interpretation Legislation Amendment Bill 2018	15/08/18		
Agents and Land Legislation Amendment Bill 2018	15/08/18		
Tobacco Control Legislation Amendment Bill 2018	23/08/18		
Northern Territory Civil and Administrative Tribunal Amendment Bill 2018	10/05/18		
Animal Protection Bill 2018	08/02/18		
Domestic and Family Violence Amendment (Information Sharing) Bill 2017	23/11/17		
<i>Monitoring of Places of Detention (Optional Protocol to the Convention Against Torture) Bill 2018</i>	10/05/18	23/08/18	Y
<i>Liquor Amendment (Minimum Pricing) Bill 2018</i>	09/05/18	22/08/18	Y
<i>Monetary Units Bill 2018</i>	09/05/18	22/08/18	N
<i>Pastoral Land Legislation Amendment Bill 2017</i>	18/10/17	16/08/18	Y
<i>Parks and Wildlife Commission Amendment Bill 2017</i>	18/10/17	16/08/18	N
<i>Gaming Control Amendment Bill 2018</i>	10/05/18	14/08/18	N
<i>Revenue Legislation Amendment Bill 2018</i>	03/05/18	21/06/18	Y
<i>Appropriation (2018-2019) Bill 2018</i>	01/05/18	21/06/18	N
<i>Youth Justice Legislation Amendment Bill 2018</i>	21/03/18	10/05/18	N
<i>Residential Tenancies Amendment Bill 2018</i>	08/02/18	10/05/18	Y
<i>Expungement of Historical Homosexual Offence Records Bill 2018</i>	21/03/18	08/05/18	N
<i>Liquor Amendment (Point of Sale Intervention) Bill 2018</i>	21/03/18	03/05/18	N
<i>Statute Law Revision Bill 2018</i>	21/03/18	01/05/18	Y
<i>Criminal Code Amendment (Intimate Images) Bill 2017</i>	23/11/17	22/03/18	Y
<i>Biological Control Amendment Bill 2017</i>	18/10/17	20/03/18	N
<i>Evidence (National Uniform Legislation) Amendment (Journalist Privilege) Bill 2017</i>	23/11/17	15/03/18	
<i>Adoption of Children Legislation Amendment (Equality) Bill 2017</i>	23/11/17	13/03/18	N
<i>Liquor Legislation Amendment (Licensing) Bill 2018</i>	07/02/18	08/02/18	Y
<i>Liquor Commission Bill 2018</i>	07/02/18	08/02/18	N
<i>Independent Commissioner Against Corruption (Consequential and Related Amendments) Bill 2017</i>	19/10/17	06/02/18	Y
<i>Liquor Amendment Bill 2017</i>	22/11/17	22/11/17	N

Last updated 4 October 2018

<https://legislation.nt.gov.au/en/LegislationPortal/Bills/By-Session>