

Over 60 and working?

You may be able to pay less tax, get more super and keep the same take-home pay (2010/11)



If you are still working when you reach 'preservation' age (the age when you can generally first access your super), consider using a 'transition to retirement' strategy to reduce your income tax and increase your super, while maintaining the same take-home pay.

For those aged 60 or older, the amount you can save in tax and add to your super may be substantial.

What is a 'transition to retirement' strategy?

The strategy is simple: to receive a portion of your salary from your superannuation, and to salary sacrifice back into super the before-tax equivalent of what you have taken out. This can save you money in two ways – you can pay less tax on money you pay into super, and if you are over 60, you pay no tax on payments you receive from your super. The tax that you are saving can then stay in your super as additional savings.

The amount you can receive from your super using this strategy is restricted by an amount the Federal Government lets you withdraw from your super, which is 10% of your total super account balance per year.

Starting a 'transition to retirement' strategy

1. Withdraw an income from your super via a **legalsuper** Transition To Retirement Pension.
2. Pay the before-tax equivalent of what you have taken out of your super back into your super via a salary sacrificing arrangement. Salary sacrificing can be set up through your employer.

Case study

Alan and Bronwyn are both 60 years old. They earn the same amount and both receive employer Superannuation Guarantee (SG) contributions on their income of \$85,000. Alan decides to pay \$38,217 of his pre-tax income into his super, and sets up a pension using his super to pay him \$25,000 annually. This ensures that he is still receiving the same take-home pay. Bronwyn does not set up a pension, and her after-tax salary remains her only form of take-home pay.

By using this strategy, Alan reduces his income tax by \$7,484, which remains in his super as additional savings. See the table below.

	Alan	Bronwyn
Salary	+ \$85,000	+ \$85,000
Transition pension (tax-free)	+ \$25,000	\$0
Salary sacrifice (into super)	– \$38,217	\$0
Tax (inc Medicare)*	– \$7,458	– \$20,675
Take-home pay	= \$64,325	= \$64,325
Additional super**	\$7,484	\$0

- SAME TAKE-HOME PAY
- LESS TAX
- MORE SUPER!

Alan gains \$7,484 more in his super, and has the same take-home pay as Bronwyn.



* The above tax calculation was correct at the time this publication was printed.

** The additional super is comprised of: \$38,217 (salary sacrifice) less \$5,733 (15% contributions tax) less \$25,000 (pension drawn).

About legalsuper's Transition To Retirement Pension

START NOW AND
PAY LESS TAX

The same features as your super account

- The same low fees.
- The same investment options, and you can switch investment options weekly for no fee.

Other Transition To Retirement Pension features

- No tax payable on any investment returns earned by pension assets.
- Vary the amount of your pension payments (subject to minimum and maximum payment rules).
- Vary the frequency of pension payments.
- Choose your beneficiaries (Binding or Preferred nominations can be made).
- Receive twice-yearly member statements and newsletters.
- View your pension online at legalsuper.com.au

Key Rules

- You must withdraw at least 2% of your balance annually if you are under 65 (2.5% between ages 65 and 74).
- You cannot withdraw more than 10% of your balance annually (does not apply beyond age 65).
- After starting your pension, you cannot pay additional amounts into your pension account.
- Pension payments will be made firstly from any 'unrestricted' amounts in your account, then from any 'restricted' amounts, and finally from any 'preserved' amounts.

What next?

To discuss legalsuper's pension options, please speak to a legalsuper Client Service Manager:

ACT/NSW

Peter Nicholas	0409 658 788	pnicholas@legalsuper.com.au
David Eastwood	0438 779 228	deastwood@legalsuper.com.au

QLD/NT

Colin Kerr	0418 150 630	ckerr@legalsuper.com.au
------------	--------------	----------------------------------------------------------------------

SA/TAS/VIC/WA

Leo Maximos	0448 558 668	lmaximos@legalsuper.com.au
Mark Higgins	0448 558 158	mhiggins@legalsuper.com.au

Issued by Legal Super Pty Ltd, Level 26, 140 William Street, Melbourne VIC 3000 ABN 37 004 455 789 AFSL 246315 RSE L0002585 as the Trustee for legalsuper ABN 60 346 078 879. This document contains general information only and is not intended to be a substitute for advice. It does not take into account any individual's or organisation's investment objectives, financial situation or particular needs. Accordingly, any individual or organisation should seek professional advice that takes account of their needs, objectives and circumstances before making a decision in relation to any of the matters covered in this document.



Produced with EcoStar paper – 100% recycled, post-consumer waste. It utilises renewable resources to produce an environmentally sound paper product as well as reducing landfill, and is environmentally accredited. The mill is PEFC-certified for traceability, and operates under the ISO 14001 environmental management system, which guarantees continuous improvement.