

Transition to retirement

FACT SHEET

FOR MANY PEOPLE THE OPPORTUNITY TO RETIRE EARLY SEEMS UNATTAINABLE. AND, ALTHOUGH THERE IS AN INCREASING TREND TO WORK FOR LONGER AND RETIRE LATER, MANY ARE LOOKING FOR FLEXIBLE OPTIONS THAT BETTER SUIT THEIR LIFESTYLE CHOICES AND REWARD THEM FOR STAYING IN THE WORKFORCE.

Transition to retirement allows you to access your superannuation benefits without having to retire or even reduce your work hours. This means you have new financial incentives and employment options to consider when you start planning for your retirement.

This fact sheet provides an overview of the key features and benefits of transition to retirement and case study examples to help you understand how it could work for you. It is not relevant for members of the Pension Scheme, please contact GESB for more information as different conditions apply.

What is transition to retirement?

Transition to retirement allows you to access your super benefits while you are still working. You don't have to reduce your work hours but you may choose to as a way to better align your work with your lifestyle, health or family priorities. If you do reduce your hours, the income you receive from your super benefits will help to supplement any loss of salary.

To be eligible for transition to retirement, you must have reached preservation age – which for most GESB members is currently 55.

Your super benefit must be used to start a regular pension that does not allow lump sum cash withdrawals. This is known as a non-commutable income stream. GESB's Allocated Pension is a great option for members.

What are the benefits of transition to retirement?

Transition to retirement offers you significant financial benefits and the flexibility to:

- Boost your income - by receiving a retirement income stream from an allocated pension, as well as your normal salary
- Boost your super - by continuing to work and sacrifice some of your salary to super
- Reduce your hours or change job responsibilities - without reducing your income.

You may use a combination of these three options. And, if your situation changes, you can roll funds from your allocated pension back into super.

What are the key features?

Transition to retirement conditions differ depending on which super fund you're in.

- Access your super once you reach preservation age
- Transfer up to 100% of your super benefit
- Benefit must be used to start a non-commutable income stream such as GESB's Allocated Pension
- Choose to receive a minimum of 2% and maximum of 10% of the pension account balance each year
- If you continue to work, continue to receive employer contributions into your existing super account
- Continue making additional contributions to your super, such as salary sacrifice
- Change the amount of pension you receive each year, subject to minimum and maximum limits
- Rollover the allocated pension back to super, if circumstances change.

How will it affect my existing Gold State Super benefit?

Both contributing and deferred members of Gold State Super can access 100% of their benefit from age 55 to start a non-commutable allocated pension.

FOR CONTRIBUTING MEMBERS

Accessing part or all of your benefit will reduce the Benefit Multiple used to establish the value of your final benefit. This reduction is called the Offset Multiple. Unless you elect to withdraw from Gold State Super, your account will remain open and your defined benefit and Benefit Multiple will grow as you continue working.

FOR DEFERRED MEMBERS

Accessing part of your benefit reduces the value of your final benefit by the equivalent amount. Any remaining balance will continue to accrue at CPI +2%. If you rollover all of your benefit to an allocated pension, your Gold State Super account will be closed.

Things you need to know

Changes to Super from 1 July 2007 mean that any withdrawal from an untaxed funds, such as Gold State Super or West State Super, will trigger the crystallisation of the tax-free and taxable components of your current benefit including any pre-July 1983 service. For taxed funds such as GESB Super, this crystallisation took effect on 30 June 2007.

For members with a Gold State Super account, there may be advantages to rolling over benefits into a West State Super account before withdrawal. However, because the benefits are combined, this will trigger crystallisation of the tax-free and taxable components of both accounts, even if the withdrawal is only being made from one of the member's accounts.

Gold State Super members interested in this option should contact GESB prior to accessing their benefit.

Case Study: John's story

John is 60, has a salary of \$72,000 and a Gold State Super benefit of \$345,600. John decides to transfer 100% of his benefit to GESB's Allocated Pension, a non-commutable income stream.

Here are three options that John could consider.

Note: This case study and scenarios are based on certain assumptions. If these assumptions change, the results may differ. Details of all assumptions are available on the transition to retirement page of our website, gesb.com.au

SCENARIO 1: INCREASING HIS INCOME

To increase his income, John decides to continue to work full-time and:

- Take 100% of his Gold State Super benefit
- Receive the maximum amount from his allocated pension (10% of the account balance).

	FULL-TIME WITHOUT TTR INCOME	FULL-TIME WITH TTR INCOME
Employer Salary	\$72,000	\$72,000
Salary Sacrifice	-	-
Assessable Income	\$72,000	\$72,000
TTR Income	-	\$ 29,376
Taxable Income	\$72,000	\$72,000*
Tax (including Medicare levy)^	\$16,530	\$16,530
Net Income	\$55,470	\$84,846

* As John is aged 60, his income from an allocated pension is non-assessable non-exempt income that is tax free.

^ Using 2009/10 income tax rates.

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IN THIS EXAMPLE, JOHN TAKES HOME AN ADDITIONAL \$29,376 IN THE FIRST YEAR.

SCENARIO 2: INCREASING HIS SUPER

If John doesn't need the additional income, he could decide to salary sacrifice his salary into an accumulation scheme such as West State Super to take advantage of tax benefits and boost his super in preparation for full retirement.

	FULL-TIME WITHOUT TTR INCOME	FULL-TIME WITH TTR INCOME
Employer Salary	\$72,000	\$72,000
Salary Sacrifice	-	\$43,000**
Assessable Income	\$72,000	\$29,000
TTR Income	-	\$ 29,376
Taxable Income	\$72,000	\$29,000*
Tax (including Medicare levy)	\$16,530	\$3,885
Net Income	\$55,320	\$54,491

* As John is aged 60, his income from an allocated pension is non-assessable non-exempt income that is tax free.

** Salary packaged into West State Super.

THIS OPTION WILL PROVIDE JOHN WITH IN EXCESS OF \$122,000# IN ADDITIONAL RETIREMENT BENEFITS OVER A 5 YEAR PERIOD.

Certain assumptions have been used to calculate this figure. Please refer to gesb.com.au

SCENARIO 3: REDUCING HIS WORK HOURS

John decides to work part-time and:

- Take 100% of his Gold State Super benefit
- Receive the maximum amount from his allocated pension (10% of the account balance).

	FULL-TIME WITHOUT TTR INCOME	PART-TIME WITH TTR ADDITIONAL INCOME
Employer Salary	\$72,000	\$29,000
Salary Sacrifice	-	-
Assessable Income	\$72,000	\$29,000
TTR Income	-	\$29,376
Taxable Income	\$72,000	\$29,000*
Tax (including Medicare levy)	\$16,530	\$0**
Net Income	\$55,470	\$58,376

* As John is aged 60, his income from an allocated pension is tax-free and non-assessable non-exempt income that is tax free.

** Assumes John is eligible for Senior Australians tax offset.

THIS OPTION ALLOWS JOHN TO REDUCE HIS HOURS BY 50% BUT INCREASE HIS TAKE HOME PAY.

IMPORTANT INFORMATION

WHEN COMPARING OPTIONS, YOU NEED TO CONSIDER THE IMPACT ON YOUR RETIREMENT BENEFIT. USING YOUR BENEFIT TO PAY A REGULAR INCOME STREAM COULD REDUCE THE AMOUNT YOU HAVE WHEN YOU RETIRE. USING YOUR BENEFIT TO INCREASE YOUR CONTRIBUTIONS TO SUPER COULD INCREASE THE AMOUNT YOU HAVE WHEN YOU RETIRE.

GESB RECOMMENDS THAT YOU ATTEND A RETIREMENT PLANNING SEMINAR TO UNDERSTAND HOW THIS WILL IMPACT ON YOUR RETIREMENT SAVINGS OR CONSULT A SUITABLY QUALIFIED FINANCIAL ADVISER.

More information

Transition to retirement can be a valuable and financially beneficial option. To help you understand the benefits, and the impact it could have on your retirement savings:

- Attend a free GESB seminar. We continually offer specific transition to retirement seminars or general retirement planning seminars. Register online at gesb.com.au
- Call our Member Services Centre on 13 GESB (4372).

Members of Gold State Super must contact GESB on 13 GESB (4372) before applying for transition to retirement. Under State Super Regulations, you must be provided with details of the maximum transfer amount and how the transfer may affect your Benefit Multiple or remaining benefit in Gold State Super before you can apply for transition to retirement. Your application can only be accepted after we have provided this information and received your signed acknowledgement.

Disclaimer: The information contained in this fact sheet is of a general nature, and does not constitute legal, taxation or personal financial advice. In providing this information GESB has not taken into account your investment objectives, financial situation or needs. GESB is not licensed to provide financial product advice. You should read this fact sheet in conjunction with other relevant disclosure documents GESB has prepared for Gold State members including the Gold State Super Essentials brochure. You may also wish to consult a suitably qualified adviser to ascertain whether the information contained in this fact sheet is appropriate for you.

How to contact us

Government Employees Superannuation Board
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Member Services Centre 13 GESB (4372)
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