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FACT SHEET

Understanding Transition to Retirement Pensions

What is a "Transition to Retirement" Pension?

A "Transition to Retirement" (TTR) pension is the means by which you can start drawing an income stream from your superannuation once you have reached your preservation age but are yet to retire, or retire fully, from the workforce. The benefit of a TTR pension is that you can reduce your working hours yet maintain cash flow by supplementing with a superannuation income benefit, and do so in a tax effective manner.

What conditions must be satisfied in order to draw a TTR Pension?

There are conditions which must be satisfied in order to draw a TTR pension, as follows:

- You must have reached your preservation age
- You must take the TTR pension as a "non-commutable income stream". That is, you cannot convert the TTR pension into a lump sum benefit unless you retire, turn 65, or satisfy some other condition of release

The following table sets out the various preservation ages:

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
After 30 June 1964	60

Are there any limits to how much I can draw under a TTR pension?

If you decide to draw a TTR pension, you must draw a minimum amount each year in accordance with the rules governing allocated pensions. This minimum is determined with reference to an age-adjusted percentage of your account balance[1] at the beginning of the relevant income year. The minimum percentages are set out in the following table:

In addition to the minimum rules, there is a ceiling limit on the amount you can draw under a TTR pension each year. The maximum you can draw is 10% of your account balance[1] at the beginning of the relevant income year.

Age	Percentage of Account Balance which must be taken as a TTR pension
Preservation age – 64	4.00%
65 – 74	5.00%
75 – 79	6.00%
80 – 84	7.00%
85 – 89	9.00%
90 – 94	11.00%
95 and over	14.00%

How are TTR Pensions taxed?

Refer to Attachment 1 for a summary on the income tax implications of taking a TTR pension.

1 Account balance refers to the amount set aside for TTR pension purposes, as opposed to your entire member balance. This will be commonly referred to as your "TTR Pension Account Balance"

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How do I set up a TTR Pension?

If you have a Self-Managed Superannuation Fund, your accountant will set up the TTR pension for you. Your accountant will work with you to:

- Set up a "TTR Pension Account Balance" within your member balance in your fund
- Determine the amount to transfer from your Accumulation Balance to your newly established TTR Pension Account Balance
- The resulting minimum and maximum TTR pension you can draw
- The TTR pension you wish to draw within the range prescribed above
- Determine any top-ups required to your TTR Pension Account Balance, that is, any further transfers from your Accumulation Balance required

If your superannuation is with a corporate or industry superannuation fund, you will need to contact the fund administrator in order to set up the TTR pension. Be aware that some superannuation funds will not necessarily offer an income stream that allows you to take up the transition to retirement option.

If I take a TTR Pension, can I still contribute to my superannuation?

If you decide to start drawing a TTR pension, you can still keep contributing both concessional and non-concessional contributions to your superannuation balance in accordance with the usual contribution caps, provided you meet the age requirements. Any contributions you make will be allocated to your Accumulation Account Balance.

TTR Pension strategies

If you decide to draw a TTR pension, not only are you supplementing your cash flow but you are also accessing the tax concessions associated with superannuation income streams. This lends itself to strategic opportunities, and TTR pension strategies will often involve:

- Salary sacrificing in order to maximise concessional superannuation contributions
- Topping up reduced income from working with a TTR Pension, and
- Contributing any tax savings back into your superannuation by way of non-concessional contributions

These steps can improve your personal tax and cash outcome overall or provide you with opportunity to boost your superannuation balance.

What Next?

If you are considering a phased approach to your retirement, or would like to know more about Transition to Retirement pensions generally, contact your manager or partner at Enspira Financial to discuss.

Attachment 1

The following table summarises the various income tax implications of drawing a TTR pension:

Age	Taxed Source[3]			Untaxed Source[4]		
	Tax-Free Component[5]	Taxable Component[6]	Available Tax Offset	Tax-Free Component[5]	Taxable Component[6]	Available Tax Offset
Preservation age – 59	Not Assessable	Assessable at marginal tax rate	15% of taxable component	Not Assessable	Assessable at marginal tax rate	N/A
60 and over	Not Assessable	Not Assessable	N/A	Not Assessable	Assessable at marginal tax rate	10% of taxable component

3 "Taxed source" refers to account balances which have been subject to tax within your superannuation fund. This category covers most types of superannuation funds, including SMSFs

4 "Untaxed source" refers to account balances which have not been subject to tax within your superannuation fund.

5 "Tax-Free Component" of the TTR pension will be calculated with reference to the tax-free component of your TTR Pension Account Balance. The Tax-Free component will generally comprise the cumulative balance of non-concessional contributions made by the member, as these are after-tax contributions

6 "Taxable Component" of the TTR pension will be calculated with reference to the taxable component of your TTR Pension Account Balance. The Taxable component is calculated as your total account balance less the Tax-Free component

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