

# Three great reasons to start a Transition to Retirement Pension

Thinking about easing into retirement but still need a steady income? Want to trim your tax bill while growing your super? Or maybe you'd love to knock down some debt before you stop working? If you are 60 or over, you can do just that.

## Who can start a super pension?

Using your super to start a pension can help give you the cashflow needed to reach your financial goals. Not everyone is allowed to start a pension but if you are 60 or over, you can. Once you retire or turn age 65 you can unlock the flexibility an account-based pension has to offer. This includes no maximum limit on how much you can take out—so long as you draw a minimum pension.

If you're between 60 and 65 and still working, you may not qualify for a fully flexible account-based pension. However, you can start a Transition to Retirement (TTR) pension instead. While a TTR pension has some limits—like a maximum annual withdrawal of 10% of your starting balance—it can still be a powerful tool to help you achieve your financial goals. If you're looking to supplement your income, reduce tax, or boost your super, a TTR pension could be the solution you need!



Let's look at three typical goals.

## 1. Replace income while cutting back on work

Want to work less but keep the same income? A TTR pension can help!

As retirement approaches, many people start reducing their work hours—but that can mean a drop in income. By using a TTR pension, you can replace lost wages with tax-free withdrawals from your super.

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This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

## Three great reasons to start a TTR Pension... cont

### Meet Theodore

Theodore (age 63) is a town planner. As Theodore nears retirement, he decides to cut back his work hours by one day a week. That means earning less—but thanks to a TTR pension, not taking home less. His taxable income drops by \$25,000, but since his pension withdrawals are tax-free, he only needs to draw \$17,000 to maintain the same after-tax cashflow. Less work, lower tax, and the same income—sounds like a win, right?

## 2. Reduce tax and boost your super

Theodore works less and pays less tax. He is a winner but his super balance isn't. Perhaps you would prefer more super and less tax. A TTR pension can free up extra cash so you can salary sacrifice more into super. This means swapping taxable salary (which could be taxed at up to 47%) for concessional super contributions, which are taxed at just 15%.

Commencing a TTR pension to reach your financial goals can be a great strategy, but it's not for everyone. It's important to weigh the benefits against the long-term impact on your super savings.

### Meet Matilda

Matilda (age 62) is a marine biologist and earns \$160,000 per year. She starts a TTR pension with \$100,000 in super and withdraws \$7,075 tax-free from her pension. To receive the same amount after tax Matilda would need to earn \$11,600. The extra tax-free cash from her TTR allows her to salary sacrifice \$11,600 into super. The result? She saves \$4,525 in personal tax and her super grows by an extra \$2,785 (after super tax). That's a win-win!

## 3. Pay your debt off sooner

Have some unwanted debt? A TTR pension can help you clear that debt sooner—so you can enter retirement stress-free.

### Meet Simon

Simon (age 60) is a self-employed shopfitter and has \$300,000 in super and a \$300,000 mortgage on a holiday home (6% interest). He makes monthly repayments of \$3,330 and the loan will be extinguished in 10 years (age 70). He wants to be debt-free at retirement (age 65) so commences a TTR pension and draws down \$2,470 per month (\$29,640 annually). He uses the extra cashflow to make additional monthly repayments of \$5,800 (\$69,600 annually). The result? Simon pays off his loan in 5 years age 65 – saving him interest and giving him peace of mind in retirement.

## Is a TTR Pension right for you?

Commencing a TTR pension to reach your financial goals can be a great strategy, but it's not for everyone. It's important to weigh the benefits against the long-term impact on your super savings.

To make sure you're making the right move, speak to your financial adviser. Your adviser can help you with your financial goals, be it to lower your tax, build your super, pay down debt or retire sooner! 💰



## FEDERAL BUDGET: STOP PRESS

In a shrewd tactical move by the government ahead of its election announcement, the modest personal tax cuts announced in the 25 March 2025 Budget have been hurriedly passed into law, as has the Bill extending the small business \$20,000 Instant Asset Write-off threshold to 30 June 2025 (but not beyond that date).

The tax cuts reduce the marginal tax rate on the \$18,200 to \$45,000 tax bracket from 16% to 14% in two stages from 1 July 2026 and 1 July 2027, giving taxpayers up to an extra \$268 a year in their pocket to start with, rising to \$536 after the second stage kicks in..

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