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Transition to Retirement Strategy

When you reach age 55 (your “preservation age”), you can commence a pension from your superannuation, and draw a pension income until you retire at age 65. This allows you to restructure the way you receive income, and is called Transition to Retirement (TTR). With a TTR strategy, **you can retain the same net income**, while increasing the balance of your super account.

Overview of TTR

First, you commence a “non-commutable account-based pension” using existing savings from your super account. This income has tax advantages over regular pay:

- Before you are 60, the pension income may have a tax-free component. For the remaining pension income, you will receive a 15% rebate that pays the first 15c of tax.
- After you are 60, the pension income is entirely tax-free, and is not factored into your taxable income. This reduces the tax you pay on any other income, such as salary or investment income.

Second, you make additional before-tax contributions (via salary sacrifice) into your super account to keep your income at the level you require. Most people choose to keep their income the same, or reduce it to save additional super.

- Salary sacrifice contributions are taxed at 15% rather than at your marginal tax rate, saving you additional tax.

The tax savings from TTR builds your super account balance in the years before retirement.

The next sections describe the recommended salary sacrifice and pension amounts for you, based on the personal and financial information you provided. The amounts are designed to give you the maximum increase to super between the date you start this strategy (6 July 2015) and the time you retire at age 65.

What TTR Changes for You

This TTR strategy changes your situation as follows:

1. Change to income: **\$0** over 9 years
2. Change to retirement income: **\$2,964 per year** after age 65
3. Change to super balance: **\$57,697** at age 65

The recommended strategy results in:

- A higher super balance at retirement date
- The same net income between now and retirement

Implementing Your TTR Strategy

1. Open the TTR account.

From your total super of \$255,000, **keep \$1,500 in your super account**, and transfer the remaining balance of about \$253,500 into a Transition to Retirement pension.

If you have insurance with your super fund, leave enough money in your accumulation account to cover premium payments.

2. Set up salary sacrifice with your employer.

For financial year 2015/16 (6 July 2015 to 30 June 2016):

Organise with your employer to salary sacrifice a total of **\$29,773** into super between 6 July 2015 and 30 June 2016. . For next financial year (2016/17), salary sacrifice **\$29,630**.

Your Recommended Salary Sacrifice (total)				
Year	Year Total	Monthly	Fortnightly	Weekly
First Year 2015/16	\$29,773	\$2,481	\$1,142	\$571
Second Year 2016/17	\$29,630	\$2,469	\$1,136	\$568

3. Set up your Pension payments.

For financial year 2015/16, draw a total of **\$21,478** from the TTR pension.

For next financial year (2016/17 draw a total of **\$21,237** from the TTR pension.

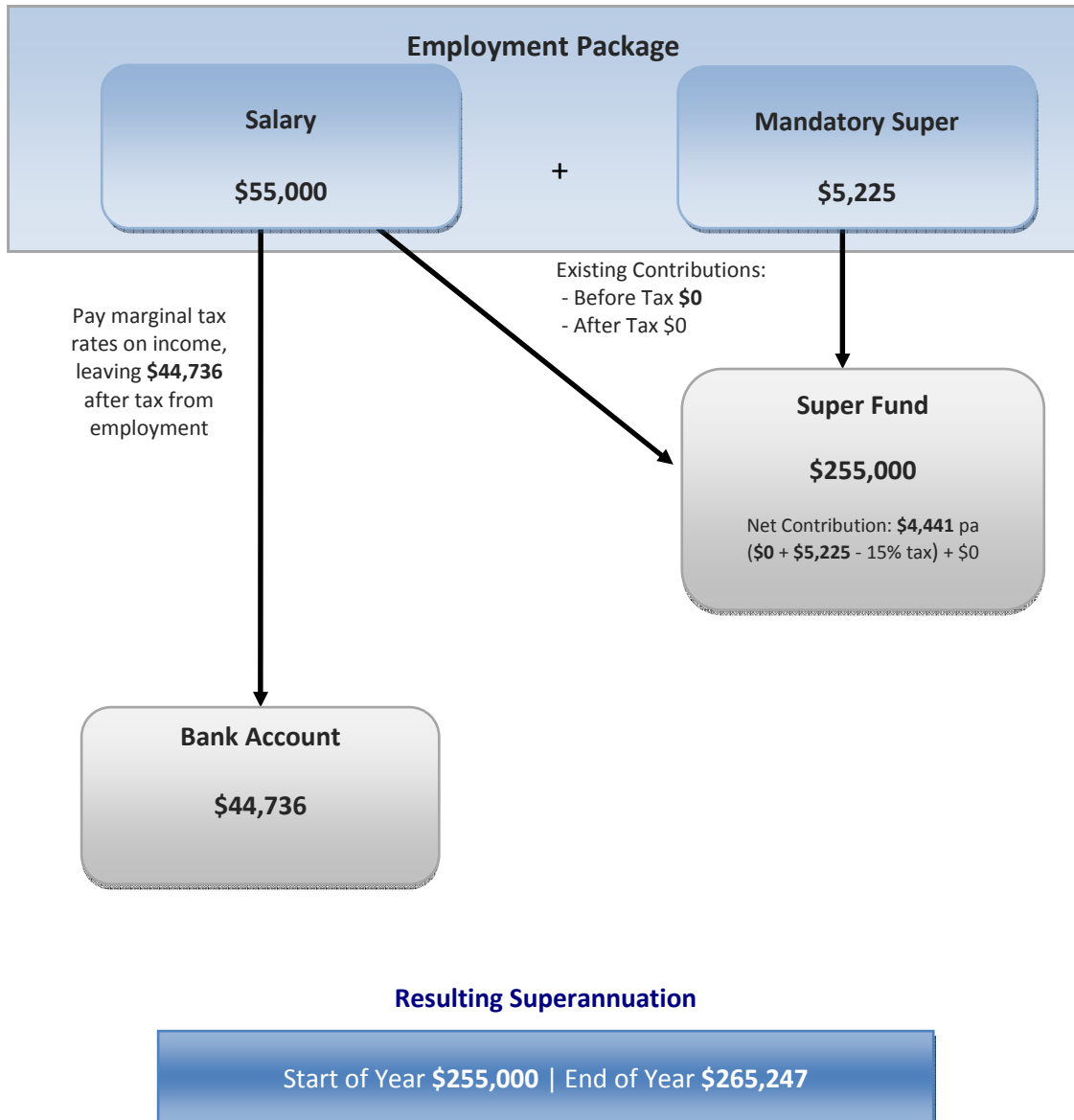
Your Recommended Pension Draw				
Year	Year Total	Monthly	Fortnightly	Weekly
First Year 2015/16	\$21,478	\$1,790	\$824	\$412
Second Year 2016/17	\$21,237	\$1,770	\$815	\$407

How TTR Works

The following diagram shows how your income structure changes with a TTR strategy. The diagram shows figures for the first full financial year, with and without the TTR strategy.

Without TTR, your single source of income is taxable income from your employer. With TTR, you have two sources of income – your reduced taxable income, and your new Pension income.

Your Current Income Scenario

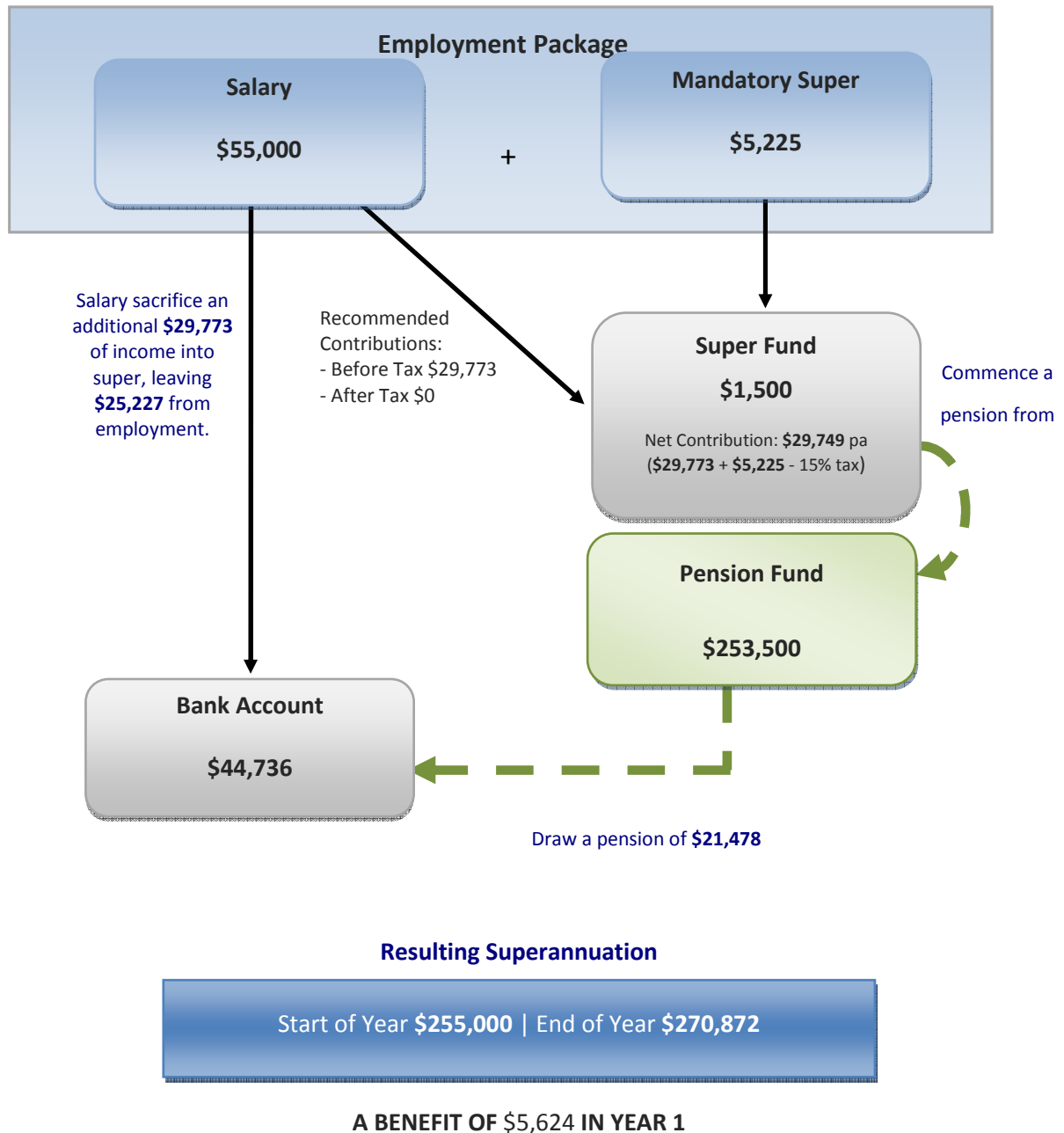


The Transition to Retirement scenario

Three Key Changes:

Convert your super account into an account based pension.

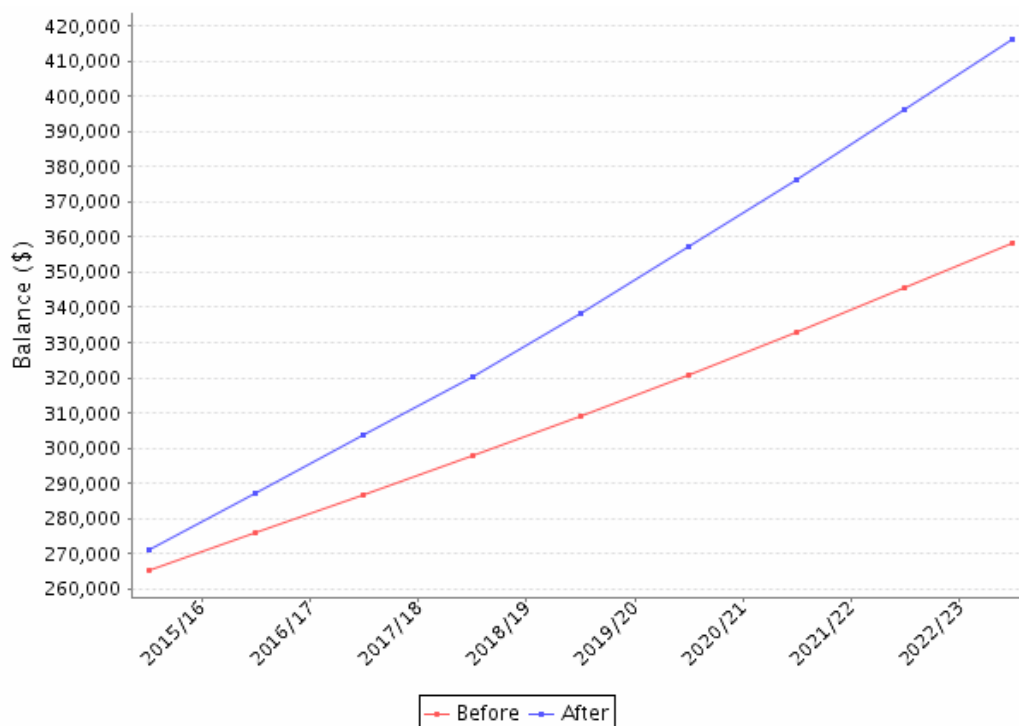
- 1) Draw an income of \$21,478 per annum from the pension
- 2) Salary sacrifice \$29,773 per annum into your super account



This is an example of the report you will receive. This report should not be acted upon as it is based on an example only. For a more detailed report, please contact LifeTime Financial Group on 1300 654 923 to arrange a more specific quote if required at no additional cost or obligation

Super Balance to Retirement

The following chart shows the growth of your retirement savings up to your planned retirement age, both without TTR (“before”) compared to with TTR (“after”).



TTR Year by Year

The following table shows how you meet your desired yearly net income (matching your current income, while increasing your super balance each year leading up to retirement).

Year	Without Transition Strategy		With Transition Strategy		Benefit
	Net Income	Super Balance	Net Income	Super Balance	
2015/16	\$44,736	\$265,247	\$44,736	\$270,872	\$5,624
2016/17	\$44,497	\$275,851	\$44,497	\$287,192	\$11,341
2017/18	\$44,250	\$286,685	\$44,250	\$303,670	\$16,985
2018/19	\$44,007	\$297,760	\$44,007	\$320,313	\$22,553
2019/20	\$43,771	\$309,083	\$43,771	\$338,485	\$29,402
2020/21	\$43,543	\$320,665	\$43,542	\$357,077	\$36,412
2021/22	\$43,320	\$332,743	\$43,320	\$376,316	\$43,573
2022/23	\$43,101	\$345,331	\$43,101	\$396,034	\$50,703
2023/24	\$42,903	\$358,441	\$42,902	\$416,137	\$57,697

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Tax Position

The following tables compare your tax position in the first full year of the strategy, both before and after implementation of the Transition to Retirement strategy. You save in two ways: on your taxable income, and the tax paid on your super earnings.

Tax on Income	Without TTR	With TTR
Salary	\$61,881	\$61,881
Concessional Contributions	\$5,369	\$34,999
Non-Concessional Contributions	\$0	\$0
Salary after Contributions	\$56,512	\$26,882
Pensions	\$0	\$21,237
Tax-Free Amount	\$0	\$10,410
Gross Income	\$56,512	\$37,709
Tax Payable	\$10,914	\$4,332
Tax Rebate	\$105	\$1,917
Income Tax	\$10,809	\$2,415
Contribution Tax	\$805	\$5,250
Total Tax	\$11,614	\$7,665
Net Income	\$45,704	\$45,704

Tax on Super Earnings	Without TTR	With TTR
Super Fund	\$2,329	\$362

Tax Type	Savings
Income Tax	\$8,393
Contribution Tax	-\$4,445
Total tax on income saved	\$3,949
Plus tax saved on super fund earnings	\$1,967
Total Saved	\$5,916

Contributions tax, while not part of the personal tax return, has been included with the other income taxes as it is still related to the distribution of your income rather than the earnings of your super fund.

Withholding Tax – Pay As You Go (PAYG) Estimates

GROSS PENSION

Year	Annual	Monthly	Fortnightly
2015/16	\$21,478	\$1,790	\$842
2016/17	\$21,237	\$1,770	\$816
2017/18	\$21,130	\$1,761	\$812
2018/19	\$21,022	\$1,752	\$808
2019/20	\$19,402	\$1,617	\$746
2020/21	\$19,022	\$1,585	\$732
2021/22	\$18,377	\$1,531	\$706
2022/23	\$17,930	\$1,494	\$690
2023/24	\$17,602	\$1,467	\$678

These tables show your annual pension and salary sacrifice amounts. The monthly and fortnightly amounts are listed so you can match your pay frequency.

The **Pension Tax** table shows the tax you should pay on your pension income.

NET PENSION

Year	Annual	Monthly	Fortnightly
2015/16	\$21,040	\$1,753	\$826
2016/17	\$20,705	\$1,725	\$796
2017/18	\$20,369	\$1,697	\$784
2018/19	\$20,026	\$1,669	\$770
2019/20	\$19,402	\$1,617	\$746
2020/21	\$19,022	\$1,585	\$732
2021/22	\$18,377	\$1,531	\$706
2022/23	\$17,930	\$1,494	\$690
2023/24	\$17,602	\$1,467	\$678

PENSION TAX

Year	Annual	Monthly	Fortnightly
2015/16	\$438	\$36	\$18
2016/17	\$532	\$44	\$20
2017/18	\$761	\$63	\$30
2018/19	\$996	\$83	\$38
2019/20	\$0	\$0	\$0
2020/21	\$0	\$0	\$0
2021/22	\$0	\$0	\$0
2022/23	\$0	\$0	\$0
2023/24	\$0	\$0	\$0

SALARY SACRIFICE

Year	Annual	Monthly	Fortnightly
2015/16	\$29,773	\$2,481	\$584
2016/17	\$29,630	\$2,469	\$570
2017/18	\$29,481	\$2,457	\$567
2018/19	\$29,330	\$2,444	\$564
2019/20	\$29,174	\$2,431	\$561
2020/21	\$29,015	\$2,418	\$558
2021/22	\$28,526	\$2,377	\$549
2022/23	\$28,016	\$2,335	\$539
2023/24	\$27,482	\$2,290	\$529

AFTER TAX CONTRIBUTIONS

Year	Annual	Monthly	Fortnightly
2015/16	\$0	\$0	\$0
2016/17	\$0	\$0	\$0
2017/18	\$0	\$0	\$0
2018/19	\$0	\$0	\$0
2019/20	\$0	\$0	\$0
2020/21	\$0	\$0	\$0
2021/22	\$0	\$0	\$0
2022/23	\$0	\$0	\$0
2023/24	\$0	\$0	\$0

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Your pension provider will deduct some pension tax automatically. However, because you also have salary income, you should consider varying your PAYG Tax by the amounts in the **Pension Tax** table. If you do not, you may pay insufficient tax on the pension and *have a tax debt at the end of the year*.

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Assumptions & Considerations

All Projections

- Your income from working is super.
- Your current level of super contributions are:
 - SG/Employer Contributions:
 - Concessional Contributions:
 - Non-Concessional Contributions:
- Your other income is per year.
- Uses the current tax rates, including changes in future years that have already been legislated.
- Pensions are paid monthly.
- Super contributions are paid quarterly.
- Assumes you are eligible to make Salary Sacrifice payments (up to the age based limits) into super with your current employer.
- Concessional Contributions are capped in accordance with the concessional contribution limits. Both your Employer SG and your Salary Sacrifice count towards this limit. It is your responsibility to ensure that your contributions do not exceed the caps.
- For Non-Concessional (after-tax) contributions, there are caps that pertain to each financial year, as well as caps that pertain to total non-concessional contributions over 3 years.
- Where relevant, calculations include the Medicare Levy, Low Income Super Contribution, Senior Australians and Pensioners Tax Offset and the Mature Age Worker Offset.
- Pension income is tax-free for those who are **60** or older, but the projections in this document apply the tax-free status only if you turn 60 by the 1st of July of each projection year.

- Dates of strategy: Starting **06 Jul 2015** and continuing for 9 years until **01 Jul 2024**
- Starting super balance: **\$255,000**
- Amount to be left in your Accumulation (super) account: **\$1,500**
- Age to start TTR pension: **56** (for 9 years)
- Retirement age: **65**
- Income during TTR strategy: **Matching current income**
- Investment Returns: **6.00%**
- Income is indexed at **2.75%** per year
- Inflation rate: **2.75%**
- Partial year calculation for first financial year: **Yes**
- Tax-free component of your super: **\$125,000**
- Pension restart every year: **No**
- Tax comparison: **Year 2**
- Any comparison of pension income assumes a minimum pension has been drawn from the account-based pension.
- Events included in strategy: