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RETIREMENT, as we know it, IS FINISHED

The Federal Government has literally ended retirement as we know it, following the recent budget announcement and with the Assistant Treasurer's recent changes to superannuation laws.

According to Theo Marinis of Adelaide's Marinis Financial Group, Ministers Costello and Brough have brought in a raft of new rules which means from 1 July 2005, workers over 55 can access some of their super by instalments – and keep working.

"This change is great news for those who have been diligent in making super savings because it means they can access up to ten and a half per cent of their super money in a year without needing to retire."

"Such workers will be able to, for example, cut back to three days a week work, but maintain their lifestyle by accessing super money to top up their wages. They can also elect to transfer just part of their super savings to this environment, leaving the rest accumulating."

So, how can a 55 year old earning $50,000 pa with $340,000 in Superannuation, cut back to three days per week – and still maintain excellent cash flow?

According to Theo Marinis the strategy outlined below (for a small annual depletion in super savings) will provide funding to allow the often dreamed about work life balance.

"This strategy will most likely prolong the client's working life on a part time basis. As a result their super assets will not be depleted at the faster rate, as would be the case if they were forced to fully retire."

(1) **Current Position** (assumptions) - 2005/2006 Financial Year - 55yrs old

Super Account Balance $340,000 (Say 7% pa return plus 9% SG less tax of $3,650 = earnings $24,650)

Pre "Transition to Retirement" strategy summary:

Take Home Pay (net of tax & Medicare)	=	***$38,390 pa (working 5 days per week)***
Total Tax Paid (salary + super)	=	$15,260 pa
Net Super Contributions, Income & Capital Growth	=	$24,650 pa

(2) **"Transition to Retirement" (*working 3 days per week*) including a Non Commutable Allocated Pension**

Rollover Super ***in full*** under "Transition to Retirement" rule, to a non commutable Allocated Pension

	Min Pension in Year 1	=	$17,172	*Nil Fund earnings tax or Capital*
	Max Pension in Year 1	=	$35,417	*Gains Tax as fund assets are*
				Segregated Pension Assets
	Nominated Allocated Pension		$17,172 pa	
Plus	Gross Salary ($50,000 pa x 0.6)		$30,000 pa	
	Taxable Income		$47,172 pa	
	Personal tax		$10,719 DR	
Plus	Pension Tax Offset	+	$ 2,576 CR	
	Total personal tax		$ 8,143 pa	
	Take Home Pay (net of tax & Medicare)		***$39,029 pa (while working three days per week)*!**	

Also, if you can afford it, and your employer is willing, you are able to salary sacrifice into your existing super account – while drawing down on it!

Mr Marinis said in order to access super funds while still working, a person was required to acquire an allocated pension that has been designed to make these part-cashing instalments.

"There are a number of funds that are working to have this facility in place by 1 July 2005. The Navigator platform has indicated it will have this facility in place through its Personal Retirement Plan, Super Solutions and Growth Pension products."

"One of the exciting things about this new rule is its flexibility. For example, should a person decide they would like to stop their allocated pension after withdrawing some money, they can do so, it's called "commuting it" and their pension will return to the accumulation phase!"

"One of the great "strings" around the superannuation bundle has been undone. It is now more user friendly than it has ever been", said Mr Marinis.

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