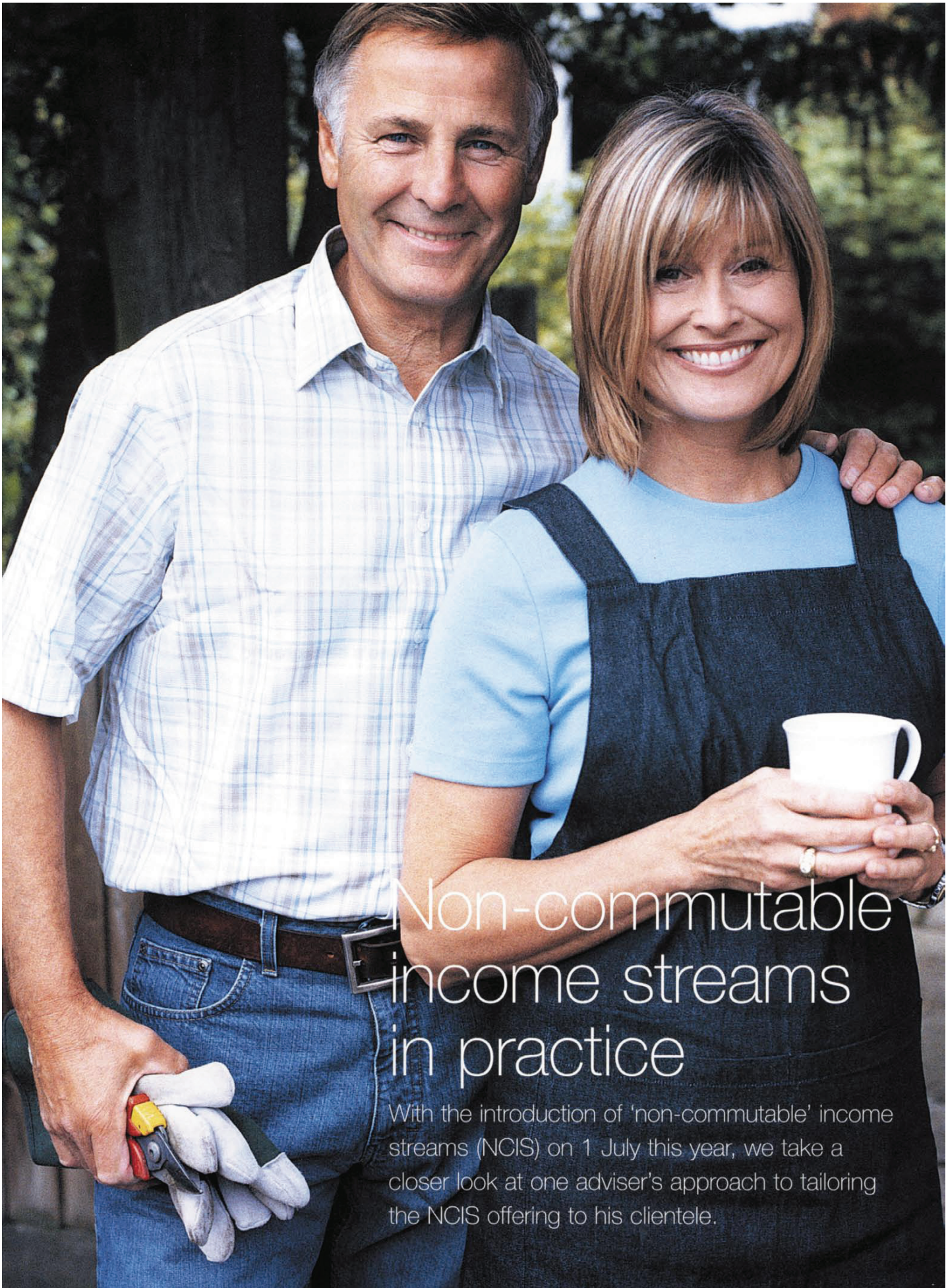




# Non-commutable income streams in practice

With the introduction of 'non-commutable' income streams (NCIS) on 1 July this year, we take a closer look at one adviser's approach to tailoring the NCIS offering to his clientele.

Tired, frustrated and ready to quit. These are common feelings for many, but more so for those in their mid-fifties who feel retirement is the only way out. A NCIS provides new lifestyle opportunities and a chance to live the best of both worlds while transitioning to retirement.

Financial adviser, Theo Marinis is passionate about the benefits of 'non-commutable' income streams for his clients. He recalls the time he felt the enormous impact of the legislation and the benefits it would bring.

"Transition is about choice and flexibility. For example, if you are in your 50s you can put say \$100,000 in super and when you reach 55 you can draw an income without needing to satisfy a condition of release. So in effect, you only need to lock away your money for five years. It's a brilliant rule, the biggest since the Allocated Pension was introduced 13 years ago."

### A hard lifestyle choice

In February this year, John\* walked into Theo's office. He was a 57-year-old senior executive earning good dollars, but was extremely time poor. He was trying to make a juggling decision – to permanently retire or continue working full-time.

John and his wife lived in Sydney and had just welcomed a new grandchild into the world. Like most proud grandparents, they wanted to spend as much time with their grandchild as possible. Their daughter and her new baby lived a two-hour drive away in Newcastle. Unfortunately, weekly trips took up most of their weekend and the travel meant he was simply feeling 'tired'. To relieve the stress and fatigue, he felt his only option was to retire.

In their first meeting, Theo discussed the figures and scenario if John retired. They reviewed his financial options including Centrelink benefits and a range of pension alternatives. They determined investing \$700,000 in an allocated pension would generate an income of up to \$74,470 p.a. (in the first year). However, retirement meant a total change in lifestyle and the new income would not enable him to maintain the life he was used to. Neither retirement nor working full-time seemed like enticing options.

### The best of both worlds

With Theo's experience as a technical services manager in various agencies, he remembered the upcoming NCIS legislation and the possible benefits it could bring. With a non-commutable income stream supplementing his income, John could maintain his current lifestyle and reduce his working hours to four days per week.

His client was so excited about the idea he couldn't be held down! He didn't want to stop working all together and a three-day weekend meant he could visit his family in Newcastle as well as find the time to rest and relax.

After witnessing his client's reaction, Theo understood the human and financial value of the new legislation. "You can have your cake and eat it too!" Theo exclaims.

In July 2005, the Government introduced changes to its retirement policy encouraging Australians to participate longer in the workforce. By taking out a NCIS, those who have reached their preservation age (currently 55) can draw a regular income and top-up their salary when moving into part-time employment.

Your clients can take advantage of this option with an MLC MasterKey Allocated Pension as it accepts superannuation benefits currently classified as 'preserved'. Unlike 'complying' income streams, clients can vary the income they receive (within the minimum and maximum limits) and can commute to cash when a full condition of release is met.

### Theo's background and business focus



Theo has worked as a technical specialist for the ATO, ISC (Insurance and Superannuation Commission), DSS (Department of Social Securities) and numerous private sector agencies. His background means he is often sought out by his peers to provide specialist information. This includes taxation,

superannuation, retirement and social security technical advice. Theo's extensive experience has also allowed him to develop and maintain his technical knowledge while running his business, Marinis Financial Group.

Theo specialises solely in retirement planning. For him, this is his niche market where he can add the most value.

"I can't possibly do everything. I'm smart enough to realise that I'm not smart enough. For example, because of my specialisation, by instinct I know how a client will fair under Centrelink's income or assets test. I can focus on their position, that's where I have the advantage," Theo says.

His business also caters to other clientele. The financial advisers in his office have varying expertise and experiences. Theo ensures Marinis Financial Group provides a specialist and educated focus on all financial needs for all walks of life.

\* Client name has been changed for privacy.