EASING BACK | A new generation of part-time retired

# Time to smell the super

The nature of work and retirement is changing as **NHADA LARKIN** discovers.

A YEAR ago the Federal Government created a new category of worker - the part-time retired.

In an effort to provide greater flexibility for older workers and keep them in the workforce for longer, the government introduced so-called "transition to retirement" from July 1, 2005.

Put simply, the changes allow people aged over 55 to access an income stream from their superannuation without retiring from work. "Now you can be part-time employed and part-time retired," Association of Superannuation Funds of Australia chief executive Philippa Smith said.

In theory, the changes should reduce pressure on the social security system while retaining a productive older workforce.

But in an era where workers are having to provide for their own retirement income, financial planners say the changes not only give people the opportunity to move more gradually into retirement but also the option to maximise superannuation while continuing to work full-time.

Some industry representatives say the opportunities to maximise superannuation returns for those aged over 60 are even better in the wake of the government's recent changes to superannuation taxes.

"In the past you had to retire after age 55 to get access to your super," said Philip Eley, certified financial planner and managing director of Plan4 Financial Services. "You had to retire to get hold of the money and that created a lot of problems for people not quite ready to retire who just wanted to slow down a bit."

Mr Eley said the transition to retirement changes meant those aged over 55 could access "cash flow from their super by converting super into a non-commutable income stream".

"In effect, they can take their super and turn it into an allocated pension or term allocated pension and then create a tax-advantaged income stream from that money," he said. Those wishing to cut back on work hours – perhaps for health or lifestyle reasons – can work part-time while converting part or all of their superannuation into a type of allocated pension.

The pension stream is "non-commutable" under these changes - that is, it cannot be transferred back into a lump sum and drawn on while the recipient is still part of the workforce.

However, for those wishing to use the strategy to maximise their eventual retirement funds, some of their current super nest egg can be transferred into one of these pensions, while they salary sacrifice most or all of their full-time income.

For those aged 60 or over, the greatest benefit will come from July, 2007, when whatever employment income earned can be salary sacrificed into superannuation, while drawing what will then be a tax-free income from their superannuation fund.

"In essence, this strategy is even more beneficial once you're 60 than it was before (the Budget)," KFG senior financial planner David Kayser said.

"Previously you paid a marginal tax rate with a 15 per cent rebate – now you don't pay tax on any of it."

**"People just want more flexibility**

Mr Kayser said for those aged between 55 and 60 the scenario was not as good but it was still a beneficial strategy for those wishing to either maximise their superannuation returns or simply cut back on their work hours for lifestyle reasons.

Ms Smith said while it was still early days for the new retirement option, it had received "a pretty enthusiastic response" from fund members. "It does really suit the thinking of a lot of people (who) don't see working one day then retirement being such a black and white thing," Ms Smith said.

"A lot of people might move from five days a week to four or three or people might leave a job but still take up different part-time work or casual work.

"There is, I think, the idea of stepping more cautiously into retirement because people just want more flexibility but they still want engagement with some work both for the stimulation and the income it provides."

Ms Smith said no major issues had so far arisen with the new measures, but it was an area where good advice was essential.

"If you're thinking through this it probably is a point at which you do need maybe independent advice," she said.

The transition to retirement changes had necessitated the introduction of new products by super funds.

"They're new products but really in another sense they're an extension of the existing products," Macquarie Bank head of technical services David Shirlow said. "The original idea from the government perspective is that there are categories of people in that age bracket 55-64 inclusive who are looking to wind back on the level of work they do and the government idea was they could draw on their super to supplement part-time income."

South Australia's Statewide Superannuation Trust chief executive Frances Magill said with an ageing workforce in SA, more people were expected to take advantage of the transition to retirement initiatives.

"Particularly in South Australia many of us want more flexibility and balance between work and social or family life," she said.

"The Transition to Retirement initiatives will allow those who may not be ready for permanent retirement to reduce their working hours without the same financial impact."

**CHEERS:** David and Kerrie Round toast the good life. Picture: BEN MACMAHON

## Setting your own pace for a better life

PROFESSOR David Round and his wife Kerrie are using the transition to retirement strategy to maximise their retirement nest egg.

The 60-year-old University of South Australia economics professor says he is not yet ready to retire but by salary sacrificing as much as they can, he and his wife are giving themselves more options further down the track.

With the help of financial strategist Theo Marinis, the couple have set up a transition to retirement pension for trained historian and contract editor Mrs Round, 57, to draw on.

The couple then pumps as much of their salaries as they can afford back into their superannuation fund. "It's tax effective and certainly is setting up options for our retirement," Professor Round said.

"As an economist I believe in choice and flexibility so that's attractive.

"It imposes a discipline, as well, to save as much as we can for retirement."



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