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HAPPY BIRTHDAY NEW SUPER

The quiet 'superannuation revolution' will shortly mark its second anniversary – and many financial planners will miss it… again.

Transition to Retirement legislation came into effect on 1st July 2005, allowing eligible Australian workers the luxury of drawing down on their superannuation, while still working.

"I can't believe there are still financial advisers out there who are too lazy, or dare I say it, too ignorant, to fully understand and recommend the approach to their clients," said Adelaide based financial strategist Theo Marinis.

"This has really been the biggest revolution in retirement saving, allowing still working Australians over 55 (or their preservation age) to draw down on their super. It allows a wonderful opportunity for these people to salary sacrifice most of their pay into super, forgoing just 15 per cent in contributions tax, rather than paying an average of 31.5 per cent (or as much as 46.5%) while living off their existing retirement savings, tax effectively or perhaps even tax free after 1 July 2007!

"It is the original virtuous circle of financial management for eligible Australians."

"This strategy means workers can build a decent super balance by paying less tax and contributing more to super.'

"The Government, which should be widely congratulated for this initiative, has also made it absolutely clear they do not see this as a breach under part IVA of the Tax Act, which deals with tax evasion schemes or arrangements. Mr Costello wants people to take up this opportunity!"

"Unfortunately, there have been a lot of 'nay sayers' in the Financial Planning industry who simply think that the new rules are too good to be true, whist others still think there is no benefit in these arrangements. They are harming their clients by not looking at the legislation and understanding how it can be applied.

"Another concern I have is that with signs of likely poor market returns in coming years, the 'nay-sayers' will be out in force, again belittling Transition to Retirement."

No doubt they will suggest that Transition to Retirement will not be good for clients in poor markets. This is not true, and is unbelievably naive. It provides an excellent dollar cost averaging opportunity as salary sacrifice super units will be bought at lower prices, which can supercharge a super fund when positive markets return."

"Transition to Retirement is much more than a simple super tax strategy; it is a macro economic plan for dealing with the impending retirement of the most wonderful generation of people Australia has ever known, our Baby Boomers."

"It is a 21st century solution for providing the dignity Australian workers deserve in retirement," said Theo Marinis.

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Theo Marinis is the principal of Marinis Financial Group. He is a qualified Financial Planner and Accountant. Theo holds degrees in Economics and Arts as well as relevant industry qualifications.

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