

Over 55's Wasting a Massive Opportunity

"The Australian financial advice industry should be ashamed of itself, if the figures attributed to SuperRatings in Professional Investor Magazine are correct. Based on this data, less than one in five eligible retail master trust super fund members (17.8%) and less than seven per cent (6.9%) of eligible not-for-profit (industry) super fund members currently draw a Transition to Retirement (T2R) pension," says Adelaide based financial strategist Theo Marinis.

"10 years on from the birth of T2R this appears to be a serious national disgrace!

What this means is that workers over 55 are missing out on an annual tax saving of at least \$4,000 pa. My experience is that the additional tax savings (which can dramatically help boost their super balances) can often be much more than that.

It is my view that all potential retirees should know about this opportunity – if only to ensure that they do not receive poor or inadequate advice.

If we assume that at age 55, a T2R pension is established and used to boost salary sacrifice super contributions until retirement 10 years later, this strategy can easily mean an additional \$50,000 in the super savings pool. At an average of 5% pa (the minimum prescribed draw down rate at 65) that would provide an extra \$2,500 pa income to spend in retirement!

This figure of \$2,500 pa could pay for an overseas holiday, a nice meal out every fortnight, going to the cinema every week or even enable the retention of private health insurance!

This is serious money being left 'on the table' because some people in the financial advice industry are just not prepared to educate themselves (and more importantly their clients) about T2R.

I have been dubbed 'The Godfather of T2R' as a result of lodging Australia's first ever T2R application for one of my clients, received the day before the legislation took effect. I also wrote about it extensively in my first published book titled 'Sexy Super?' in 2006.

T2R is arguably the greatest gift the Howard government gave older Australians. It affords many people who started super later in life a free kick to catch up for lost time.

It is on the table now and all my clients who are eligible are using this opportunity.

Speak to your adviser if you are 55 or older and demand they tell you how to establish a T2R pension strategy. It is so important to not miss this opportunity and have it acted upon without hesitation if in any way it applies to you.

In my terms, T2R is a 'virtuous' circle where you start drawing down from your super fund while using the T2R pension to BOOST your super salary sacrifice contributions, and thus your super balance! If correctly implemented, many people find their maximum tax rate falls to just 15%. It sounds complex, but to those in the know, it surprisingly simple".

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