

# Shhh! This is Australia's Biggest Super Secret

Thousands of Australians could be supercharging their superannuation and getting significant tax breaks in the process. Sadly, they're totally in the dark about it.



**A super scheme to build your retirement cash pile. Photo: Getty**

Many older working Australians are unwittingly missing out on the opportunity to substantially boost their retirement nest egg, and on thousands of dollars a year in tax savings.

Despite the rewards on offer, data recently compiled by industry research firm SuperRatings shows less than 20 per cent of workers aged over 55 have taken advantage of the federal government's decade-old transition to retirement, or T2R, legislation.

T2R was introduced by the Howard government in 2005 to allow workers who were nearing retirement to scale down their hours and simultaneously draw funds out of their superannuation to make up the shortfall in net income.

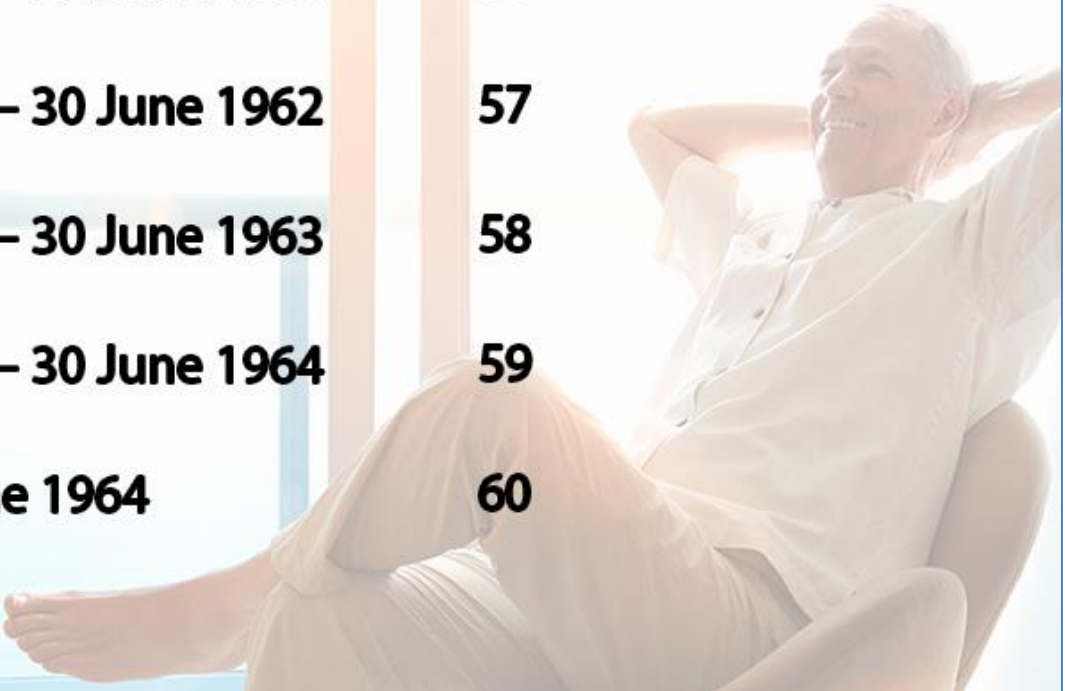
- Over-65s tell Joe Hockey: 'Get fair dinkum'
- How to stop your kids ruining your retirement
- Why retirement can be the start of your career

Yet, while originally aimed at helping workers to transition into an early retirement, the real benefits of T2R become apparent when an individual doesn't do that and keeps working full-time, using salary sacrificing to maximise their super contributions. Up to \$35,000 can be contributed each year, with only 15 per cent tax applicable, and under a T2R plan the same funds can then be drawn out as a regular pension stream.

The age at which an individual can tap into their super, known as the "preservation age", depends on their date of birth. Those born before mid-1960 can already access their super, and those now turning 56 can do the same.

The table below shows the government's set preservation ages for accessing super through a T2R.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60



But the financial adviser who lodged Australia's first registered T2R application a decade ago says it is a "serious national disgrace" that so many eligible Australians are not aware of their rights and are missing out on the opportunity to dramatically increase their superannuation balance in the years just before their retirement while gaining a big tax break on their regular income.

#### **KNOW YOUR RIGHTS!**

"What this means is that many workers over 55 are missing out on an annual tax saving of at least \$4000," Theo Marinis, principal of Adelaide-based Marinis Financial Group, told The New Daily.



This superannuation legislation need not be a secret anymore.

"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 they do not receive poor or inadequate advice."

Australian Institute of Superannuation Trustees executive manager policy, David Haynes, said industry super funds offered T2R as a legitimate strategy to help members move towards retirement.

"From an individual's perspective it provides the opportunity to go part-time and have more money in your pay packet," Mr Haynes said.

"Paying less tax and working full-time is not transitioning to retirement. What has happened is that the financial planning industry has seen this as an opportunity for tax minimisation.

"Transition to retirement is a legally permissible tax minimisation scheme, and from a policy perspective we would identify the fact that T2R is not working as it was originally intended."

### THE SUPER BOOSTER!

If you can afford to live on less than your take-home pay and leave more in super, then your balance will grow significantly over time.



Superannuation is designed to be a long-term game. Photo: Shutterstock

By age 55, most workers will no longer be paying school fees or mortgages, so they will more likely be able to forgo a greater amount from their take-home pay.

Mr Marinis said that assuming a T2R was established by a person at age 55 with a view to boosting salary sacrifice contributions for the next 10 years, that strategy could easily add an extra \$50,000 to \$60,000 to their final super balance.

"Everyone aged over 55 should contact their financial adviser to see if T2R is a good strategy for them based on their income and superannuation balance," he said.

"And everyone over 60 should be doing it regardless of their financial position as their pension is tax exempt.

"Transition to retirement is the most profound thing in super, and it's still the biggest secret."