

Time to make the transition

If you're close to retirement, you may only have a few weeks to grab a major concession, writes **Anthony Keane**

AUSTRALIANS aged over 56 are likely to have just one month left to grab one of the biggest tax breaks available to pre-retirees.

The generous 'transition to retirement' rules, which can deliver tax savings worth tens of thousands of dollars, are expected to be scrapped in May's Federal Budget.

Financial strategist Theo Marinis estimates that 80 per cent of eligible Australians are failing to embrace transition to retirement (T2R), and soon the door may be shut completely.

"If you're going to do it, you have to get on your bike pretty quickly," he says.

"Call an adviser in the next week and get cracking."

Marinis says the Government appears hell-bent on changing super benefits, and many advisers see T2R as an easy target.

In a nutshell, the strategy involves salary sacrificing a big chunk of your wage into super to save tax, then starting a separate low-tax super pension that pays you enough to cover the sacrificed wage.

"A 60-year-old nurse or small business employee earning \$80,000 a year

with approximately \$300,000 in super can boost his or her fund by \$7,590 every year until retirement, simply by using the transition to retirement rules," Marinis says.

"A manager or employee over 60, who has \$300,000 in super and is earning \$100,000 per annum, is allowed to get an extra \$8,370 per annum into super - at no extra individual cost - just by using a transition to retirement strategy."

BT Financial Group's senior manager of advice strategies and knowledge, Bryan Ashenden, told last month's SMSF Association national conference that changes to the T2R rules are 'probably almost inevitable.'

He says people who qualify need to get into one as quickly as they can to beat any changes.

"Ideally before Budget night, because if they're going to do it that's when you'll first hear about it,

and they could always say 'from this point in time'. "If history tells us anything about superannuation, there will always be some change in the future but in almost all circumstances, anything that was in place is grandfathered. They don't force you to unwind it."

Marinis says you can try to implement a T2R strategy yourself, but DIY can be dangerous when it comes to complex tax planning.

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group

T 08 8130 5130 | F 08 8331 9161 | A 67 Kensington Road, NORWOOD SA 5067

E admin@marinigroup.com.au | W marinigroup.com.au

ABN 54 083 005 930 5067 | AFSL No: 326403

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