Grow | Marinis Group

From:	Grow | Marinis Group
Sent:	Monday, 4 April 2016 2:52 PM
To:	Grow | Marinis Group
Subject:	$7,500 Per Annum Extra for Older Working Australians!
Attachments:	2016.03.18.Media Release.63.$50000 Super for those on $80000.pdf; 2016.03.28.The Advertiser.Time to Make the Transition.pdf

Dear friends

Welcome to our April edition of eGrow.

This is a bit of an unusual eGrow. I am proposing that my clients, friends and associates read it and then forward it to their family and friends - this is because I want as many eligible people as possible to access around $7,500 p.a. in reduced tax and to use that to boost their superannuation.

I have read that only one in five eligible Australians are taking advantage of this setting - possibly because of its strange name - 'Transition to Retirement' - or maybe their adviser has not heard of it?! I like to call it T2R.

Basically, if you are working and over 56, the government allows you to contribute a significant amount extra to your super while starting to draw down on it. In the end you take home the same amount of cash - but you only pay 15 per cent tax on the extra money. The net effect is that the average working person gets more than $7,500 p.a. extra in their super, at no additional cost.

All of my clients who are eligible have been advised to adopt this strategy and all have done so successfully.

Please see the article on T2R written by senior News Corp Australia journalist Anthony Keane as attached.

My concern is that this excellent addition to the super landscape, brought in by former Treasurer Peter Costello, will be dumped in the May Federal Budget.

Please suggest to your eligible family and friends that they take a copy of this eGrow and the article by Anthony Keane to their financial adviser immediately and discuss it with them. Past experience suggests that where a legal super strategy has been implemented but is subsequently subject to a less favourable rules change, there is generally a provision to be allowed to continue on the more favourable course. This approach is known as "grandfathering."

As always, if you would like to discuss any aspect of this edition of eGrow or its attachment please do not hesitate to contact me or any member of the Marinis Financial Group team on 08 8130 5130 or via email at admin@marinisgroup.com.au.

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$50,000 Super for Those on $80,000 pa usually 'Left on the Table'

"Eighty per cent of eligible Australians are each leaving around $50,000 in super entitlements 'on the table' simply because they do not know about the Transition to Retirement (T2R)* rules", according to Adelaide based financial strategist Theo Marinis.

"With superannuation in the Federal Government's sights, I am expecting a huge rush to claim this benefit before the May budget", Theo said.

"When you look at the specifics, the T2R opportunity is compelling. A 60 year old nurse or small business employee earning $80,000 pa with approximately $300,000 in super, can boost his or her fund by $7,593 every year until retirement simply by using the Transition to Retirement rules!

A manager or employee over 60, who has $300,000 in super and earning $100,000 pa is allowed to get an EXTRA $8,370 pa. into super (at no extra individual cost) just by using a Transition to Retirement strategy.

Interestingly, despite the rhetoric, high earners do not get more from T2R.

Compare this pair, both 60, both with $300,000 in super – one earning $80,000 pa and one earning $250,000 pa – the one earning $80,000 pa will benefit annually from T2R by $7,593; but the one on $250,000 pa. will achieve the LOWER annual benefit $7,585!

From what I am hearing from Canberra, the Federal Government seems hell-bent on changing super benefits. I cannot predict with any certainty that this will mean the end of TR2 in its present form, but if you are working and you are over 56 years of age, my advice is to get T2R happening before the May budget. My reasoning is that Governments usually 'Grandfather' beneficial super rules when they make the system less generous. That is why I am advising my eligible clients and friends to lock in their plans ASAP.

Even if the rules don't change, the benefits to you are enormous.

It is extremely encouraging that a 60 year old with $300,000 in super, earning $80,000 pa can legitimately and at no extra cost, increase his or her super fund by over $50,000 by implementing a Transition to Retirement strategy before retirement at age 67. (This increase does not take into account any income or growth over time on the additional T2R strategy savings).

After all, this is what super is all about! The super system is designed to encourage people to save, by giving them tax incentives for doing so; that way everyone is better off. The higher the super balance, the better the standard of living in retirement. Retirees will be less reliant on the age pension and as a result, many will also retain their private health insurance cover.

Future governments will save on both age pension and health outlays. Savings in each of these areas is the major payback to the government for the tax concessions provided to super and T2R. This is before the extra GST revenue is taken into account (given that retirees with higher super have greater spending power) even without increasing the GST rate.

We have one of the best superannuation and retirement systems in the world. We should not be tampering with a system that works! If you are unsure how to do implement a T2R strategy, contact your financial adviser and ask about the Transition to Retirement rules. If he or she is unable to assist, speak to another adviser!

The Numbers:

(Based on the following assumptions):

- Each member has $300,000 in super;
- All are over age 60 when commencing T2R; and
- They maximise their salary sacrifice so that their Tax Exempt Transition to Retirement (T2R) pension income replaces their net income forgone (i.e. no leakage of the benefits)
- A super fund earning rate of 5% pa.
- A super fund tax rate of 15%
- A super contributions tax rate of 15%

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Initial transfer to TR2
$300,000 in super transferred to T2R Account Based Pension (ABP) will ensure the fund pays NO Tax or CGT

(A) Super Fund tax saved: $300,000 x 5% x 15% = **$2,250 pa.**
(This annual super fund tax saving accumulates into the fund and grows the super balance.)

$80,000 pa. income
Salary sacrifice $27,400 pa. (based on $80,000 salary + $7,600 Super Guarantee contributions)
NET personal Tax saved due to salary sacrifice = $27,400 x (MTR – Super Fund contribution tax rate)

(B) NET Tax saved: $27,400 x (34.5% – 15%) = **$5,343 pa.**

TOTAL STRATEGY BENEFIT **(A)** + **(B)** = **$7,593 pa. into the super account**

$100,000 pa. income
Salary sacrifice $25,500 pa. (based on $100,000 salary + $9,500 Super Guarantee contributions)
Net Tax saved due to salary sacrifice = $25,500 x (MTR – Super Fund contribution tax rate)

(C) NET Tax saved: = $25,500 x (39% – 15%) = **$6,120 pa.**

TOTAL STRATEGY BENEFIT **(A)** + **(C)** = **$8,370 pa. into the super account**

$250,000 pa. income
Salary sacrifice $15,692 pa. (based on $250,000 salary + $19,308 Super Guarantee contributions)
(SG payable is capped to a salary of $203,240 p.a. and therefore the salary sacrifice amount will be $15,692 p.a.)
Net Tax saved due to salary sacrifice = $15,692 x (MTR – Super Fund contribution tax rate)

(E) NET Tax saved: = $15,692 x (49% – 15%) = **$5,335 pa.**

TOTAL STRATEGY BENEFIT **(A)** + **(E)** = **$7,585 pa into the super account**

NOTE: The net tax savings are about the same for ALL income levels. So much for all the super benefits going to the top end of town!

*** Transition to Retirement is a Federal Government rule which allows working people over 56 to effectively cut the amount of tax they pay – and redirect the benefit to boost their super balance before retirement.**

+ T2R plus taking advantage of the increased limits on contributions

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For further information please contact:

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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 80per 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 $80,00 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 qulify 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.