

17 Years On.....

17 Years on... Brian and Susan are earning more in retirement than when they worked full-time

"One of the nice things is that we can go out, we don't have to think 'Can we afford it?' If we want something, we can buy it," said 72-year-old Susan, 17 years into her retirement.

Susan and her husband Brian (now 74) were some of the first working Australians to recognise and respond to the opportunity that superannuation offered. They started contributing to their retirement savings as soon as they could.

"Our daughter-in-law knew John Thompson, a financial adviser at SGIC and we first chatted with him about how to build our nest egg. When it came time to retire we were introduced to Theo Marinis and I am very glad we were.

"I was an office supervisor and Brian was a plumber working in a maintenance role, and together we earned around \$72,000 pa. It was comfortable, but we feared how we were going to live in retirement.

"Theo calmed our fears by demonstrating (with the use of figures on a white board) that we were actually going to be quite comfortable in retirement by following a sophisticated strategy which was available to retirees at the time.

"Theo's plan involved selling our holiday home which we were not using much, putting the cash into our retirement pool and then buying an annuity in my name which was not taken into consideration by either the ATO or Centrelink. Next Brian's super was invested into a 'Term Allocated Pension' (which had some of the features of an annuity and some of the features of an Account Based Pension) his remaining super went into an accessible, Account Based Pension (ABP) super fund.

We were then entitled to three income streams, Centrelink, Brian's ABP super and our annuities – this diversity gives us a lot of protection against the inevitable crashes in the market.

"Retiring and being faced with all the binding decisions can be very daunting. We have friends who have seriously affected their income by making mistakes when helping out family, so there are lots of traps for the unwary. Furthermore, it is all so complicated, we are not stockbrokers or the like - in fact, I was initially very uncomfortable about the idea of the annuity, but I am now very glad I took the advice. Theo has made it very easy for us.

Susan and Brian now receive an annual tax free income of around \$64,000 pa – in fact they have more 'take-home pay' in retirement than when they were both working full time!

"I recently became a little concerned when reading some news articles about the amount of income we were receiving and thought I had better check with Theo if we should actually be paying tax. I was delighted when he reassured me that the strategy he had established 15 years ago still meant our income would not bother the Tax Commissioner. He had 'future-proofed' our retirement. **Theo further confirmed we will NOT be affected by the impending Centrelink Asset Test changes from 1st January 2017.**

"Over the last seven or eight years we have relaxed a lot more financially and now that Brian is not as well as he was, I am very glad we did. We have used the money to have some incredible trips, to visit and explore different cultures, including Vietnam, Cambodia and Bali as well as touring New Zealand, Hong Kong, Canada and Alaska.

A lot of our friends, perhaps, were not as wise and decided to either take their retirement plans on themselves or put them in the hands of a bank. We are glad we trusted an expert.

"Theo is more than our financial adviser, he takes us to the pictures or to the zoo from time to time and makes us really feel part of the wider Marinis family. Plus, he always has time to chat and make us feel that we are just as important as any of his other clients, some of whom no doubt have more invested than we do.

And every fortnight we just sit back and watch as our 'pay' goes in to our working account, and we feel really relaxed about it, thanks to Theo. In fact, I hadn't realised just how much income we were receiving, it is quite a pleasant surprise! Susan said.

NOTE: The superannuation rules which benefit Susan and Brian so well have been changed. Fortunately, the government of the day 'grandfathered' the regulations which means those who were already following this strategy could continue for life.

Comment from Theo Marinis: Although the rules have changed (for example Term Allocated Pensions like Brian's are no longer available) Susan and Brian's situation is an example of what can be done to help retirees maximise the opportunity for Centrelink and tax-free income.

The mistake most self-directed retirees make is simply 'not knowing what they don't know.'

Successive governments have made the super system incredibly confusing, so now, in my opinion, only an experienced financial adviser can unlock the opportunities for retirees.

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Disclaimer

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The information given in this article is of a general nature and has not taken into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision on the basis of the advice above, a prospective investor needs to consider, with or without the assistance of a professional adviser whether the advice is appropriate in the light of their particular investment needs, objectives and financial circumstances.

BRIAN AND SUSAN TABLE 1 (Assets)		
As at 12/09/2016	Actual Assets	Centrelink Assessable
Account Based Pension	\$ 114,734	\$ 114,734
Term Allocated Pension (50% Asset Test Exempt)	\$ 138,912	\$ 69,456
Annuity (100% Asset Test Exempt)	\$ 277,686	\$ -
Joint Savings Account	\$ 4,586	\$ 4,586
Joint Savings Account	\$ 25,000	\$ 25,000
Joint Cash Management Account	\$ 11,480	\$ 11,480
Home Contents	\$ 5,000	\$ 5,000
Motor Vehicle 1	\$ 18,000	\$ 18,000
Motor Vehicle 2	\$ 3,000	\$ 3,000
Motor Vehicle 3 - Historic 1962	\$ 5,000	\$ 5,000
Motor Vehicle 4 - Historic 1951	\$ 4,000	\$ 4,000
TOTAL	\$ 607,398	\$ 260,256

BRIAN AND SUSAN TABLE 2 (Income)		
As at 12/09/2016	Actual Income	Centrelink Assessable
Account Based Pension	\$ 10,680	\$ 3,064
Term Allocated Pension	\$ 8,110	\$ 2,836
Annuity	\$ 12,975	\$ 1,458
Joint Savings Account	\$ 115	\$ 80
Joint Savings Account	\$ 625	\$ 438
Joint Cash Management Account	\$ 287	\$ 201
Home Contents	-	-
Motor Vehicle 1	-	-
Motor Vehicle 2	-	-
Motor Vehicle 3 - Historic 1962	-	-
Motor Vehicle 4 - Historic 1951	-	-
TOTAL	\$ 32,792	\$ 8,077

BRIAN AND SUSAN TABLE 3	
Actual Income Per Table 2 above	\$ 32,792
Plus Combined Age Pensions	\$ 30,911
TOTAL NET INCOME COMBINED	\$ 63,703

SUMMARY

Nil tax is payable as the ABP, TAP and annuity income is tax exempt. Their Age Pension loss is only \$242 pa combined and they are not affected by 1st January 2017 changes.