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Don't 'Just Throw in the Towel'

"Older working Australians may be missing out on many tens of thousands of dollars, if not more, by deciding to retire early due to ill health," says Adelaide based Financial Strategist Theo Marinis.

"I recently told my unwell 63 year old client (a manual worker all his life) when he came to see me about his plan to 'throw in the towel' that he was entitled to much more than he thought.

"Through his employer based superannuation policy I determined that my client had a Life, Total & Permanent Disability insurance benefit (TPD) and a Salary Continuance benefit (with a maximum two-year benefit period) available to him.

"To his delight, after much ground work and negotiation on his behalf with his insurer, Marinis Financial Group was able to secure the payment of a TPD claim totalling just over $54,000.

"Acting on our advice, our client made a non concessional contribution into his super fund in respect of this benefit payment, boosting his balance to over $100,000 and placing him in a position to take advantage of a number of tax benefits namely, a tax-free account based pension from which could be drawn $3,000 per annum as minimum 'private' pension.

"The next step involved assisting him with a claim for Salary Continuance of $30,000 per annum for next two years until his expected retirement age of 65. "These funds, in addition to a Centrelink Disability Pension that his stay-at-home wife (on our advice) now receives, more than comfortably meets the family's current cash-flow needs.

"When his salary continuance benefit ceases, my client will apply for a Centrelink age pension. The couple will then have a combined income (at today's rates) of $29,614 per annum in Centrelink pensions which is very close to what the family took home (after tax and super was deducted from their pay) whilst he was still working.

"Any shortfalls in cash can be made up by tax free income from the account based pension (currently generating $3,000 per annum and growing) should the need arise. In addition, his estate now has a significant asset.

"My client had expected to just retire and live off the little super he had managed to put aside over his working life, and then when he was eligible (aged 65 in his case), claim the age pension. Instead, for the next two years, he now takes home much the same in retirement as he did when in the workforce and has a nest-egg generating some very useful extra cash.

"As a result of this client's experience, I am reminded that any older worker considering retirement, or indeed the prospect of redundancy, regardless of their superannuation balance size, should get professional advice from a qualified and experienced financial adviser. There is often a lot we can do to maximise a person's final paycheque."

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