

Fact sheet

Transition to Retirement (TTR) Pension



If you have attained age 58 at 30 June 2020, you can withdraw money from your super even if you are still working, by switching it to a Transition to Retirement (TTR) Pension.

A TTR Pension works in the same way as a regular account based pension, but there are rules:

- You cannot withdraw one-off payments from your pension account (except under limited circumstances);
- All of your pension payments cannot be more than 10% of your account balance each financial year.

TTR Pension to reduce your work hours without taking a pay cut

Club Plus Super's TTR Pension allows you to receive money from your super to make up for reduced pay.

Example*



Peter, age 60, wants to reduce his work hours as he eases into retirement. However, he is concerned about the reduced pay. He has a large super balance, which cannot be paid until retirement.

By moving some of his super to a Club Plus Super

TTR Pension, Peter can receive some of his super as a pension.

With careful planning, Peter can receive regular payments from a TTR Pension that, when added to his pay, equals what he would have received had he remained in full-time employment.

Using a TTR Pension has allowed him to reduce his work load without taking a pay cut. As Peter is still employed, he will continue to receive his employer's Superannuation Guarantee (SG) contributions, based on his new reduced hours.

Benefits of this strategy

- Payments become tax free after age 60 (provides tax savings compared to taxable income).
- You can continue to receive employer SG contributions (at reduced working hours).
- You can continue to be covered for insurance through super (Income Protection cover will be on the reduced level).

* This example is for illustrative purposes only.

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TTR Pension to boost your super savings for future retirement

A Club Plus Super TTR Pension can be used in a “salary sacrifice” arrangement to increase your super. Salary sacrifice means your employer contributes some of your pay into your super that they would otherwise pay you as salary. Although you will receive less pay, you can make up for that by receiving regular payments from your Club Plus Super TTR Pension.



Example 1*

David is 60 years old and has accumulated \$200,000 in his super account. He is fit and healthy and intends to continue full-time work for several years, aiming to maximise the amount of savings in his Club Plus Super account ahead of retirement.

After receiving advice, he decides to commence a Club Plus Super (TTR) Pension. David's income is \$62,000 per year, and he has decided to ‘salary sacrifice’ up to the maximum amount allowed.

The concessional contributions cap is \$25,000 per year. (Note: if you have not used your full cap each year from 1 July 2018, you may have access to a higher cap).

Salary \$62,000	Before TTR	After TTR (2020/21)
Salary sacrifice contributions	nil	\$19,110
SG contributions	\$5,890	\$5,890
Total pre-tax contributions	\$5,890	\$25,000
Total income tax paid	\$11,787	\$5,291
Net income	\$50,213	\$50,213[#]
Total net contribution to super	\$5,007	\$21,250
Total pension income	\$0	\$12,614
Net position in super & pension savings	\$5,007	\$8,636

[#] Includes income from TTR Pension



Example 2*

Jennifer age 58, has also accumulated \$200,000 of super and would like to increase her retirement savings by making extra salary sacrifice payments. As Jennifer is under age 60, she will pay tax on the income she receives from her TTR pension.

Salary \$62,000	Before TTR	After TTR (2020/21)
Salary sacrifice contributions	nil	\$19,110
SG contributions	\$5,890	\$5,890
Total pre-tax contributions	\$5,890	\$25,000
Total income tax paid (including tax on pension)	\$11,787	\$8,159
Net income	\$50,213	\$50,213[#]
Total net contribution to super	\$5,007	\$21,250
Gross pension payments	\$0	\$15,482
Net position in super & pension savings	\$5,007	\$5,768

* These examples are for illustrative purposes only.

[#] Includes income from TTR Pension

As super is one of your biggest investments, before you make changes to your super arrangements, we recommend you talk to a financial adviser. If you are a member, we can arrange an obligation-free consultation with Club Plus Financial Planning.¹ Call us on **1800 204 194** or email info@clubplusadvice.com.au.

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