



INFORMER

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Understanding your Retirement Options

Changes in super legislation mean a lot more flexibility for retirees – not only regarding when they can access their super, but how they can get the most out of it. This Informer highlights the rules governing access and some important issues you should consider prior to retiring.

A bit about preservation

To ensure that everyone uses their super for retirement purposes only, the Government restricts when you can access your money. This is called “preservation”.

Preserved money can only be accessed if you meet one of the following conditions. You:

- reach age 65;
- retire permanently on or after your Preservation Age (see table);
- leave employment on or after age 60;
- die or become totally and permanently disabled;
- meet the requirements for severe financial hardship;
- meet APRA’s compassionate grounds requirement;
- leave employment and your super has a restricted non-preserved component;
- leave employment and any preserved money is less than \$200;
- are a temporary resident holding an eligible class of visa and have permanently left Australia; or
- meet another specified condition of release under super law (eg Transition to Retirement).

Preservation Age

Your Preservation Age is the age at which you can cash in your preserved super and depends on your date of birth as follows:

Date of Birth	Preservation Age
After 30 June 1964	60
1 July 1963 to 30 June 1964	59
1 July 1962 to 30 June 1963	58
1 July 1961 to 30 June 1962	57
1 July 1960 to 30 June 1961	56
Before 1 July 1960	55

Tax facts to make you smile

If the thought of saving tax brings a smile to your face, keep reading. Super remains one of the most tax-effective investments. Investing in non-super investments can impact your overall return by up to 46.5% (including the Medicare Levy), as any tax payable is subject to your Marginal Tax Rate.

However, super remains concessional taxed at much lower rates to encourage us to fund our own retirements.

Furthermore, if you are aged 60 or over, there is even more to smile about as in most cases no tax will be payable on the withdrawal from super. Please see the following table for details.

If you're 60 or over, your tax savings are generally greater!

Age	Amount of tax payable
60 and over	Nil
55 to 59	Tax-free up to \$150,000 and up to 16.5% on any excess amount
Under 55	Up to 21.5%

¹ Please note that accounts with a taxable (untaxed) element will be taxed differently. However, this element is not common with most superannuation funds.

² Terminally ill individuals can access their super tax-free at any age upon satisfying certain conditions.

³ All the above tax rates are inclusive of the 1.5% Medicare Levy. All figures are as at 1 July 2009.

Transitioning to Retirement

While delaying your retirement until 60 brings with it enormous tax savings, many people are finding the Transition to Retirement (TTR) strategy highly attractive.

You can take advantage of TTR, if you're 55 or over and convert some or all of your super into an income stream product. This increasingly popular strategy allows you to access your super without having to retire or leave your job.

The benefit of this is that you can continue building up your super from paid employment (either full-time or reducing to part-time), while drawing down on it at the same time. This allows you to maintain your quality of life, while your money continues to be invested in the lower taxed environment of super.

Other benefits of TTR also include:

- potential tax savings – you can reduce your annual income tax and boost your super balance at the same time by salary sacrificing into super;
- qualification for the co-contribution – by reducing your annual income, you may qualify for the co-contribution, if you make after-tax contributions;
- nil tax on earnings – all investment earnings grow tax-free when invested in an income stream product;
- nil tax on income payments – in most cases, income payments are tax-free once you turn 60.

The super life cycle

Remember that when you move from the working phase into the retirement phase of your life, your super also transitions into another cycle.

While you're working, your super is in the "accumulation" phase. This means you and your employer can continue making contributions, with tax payable upon contributions and any investment earnings.

Once you retire, your super converts into a pension – unless you take it as a lump sum – where you're no longer able to make contributions and the only tax payable is on your income payments, until you turn 60 (in most cases).

Therefore, to ensure your pension provides for the type of retirement you want and lasts for the duration of your retirement, you need to do two things:

1. calculate how much you'll need before you retire; and
2. maximise the growth potential on your money before and after retirement.

Show me the money..or not?

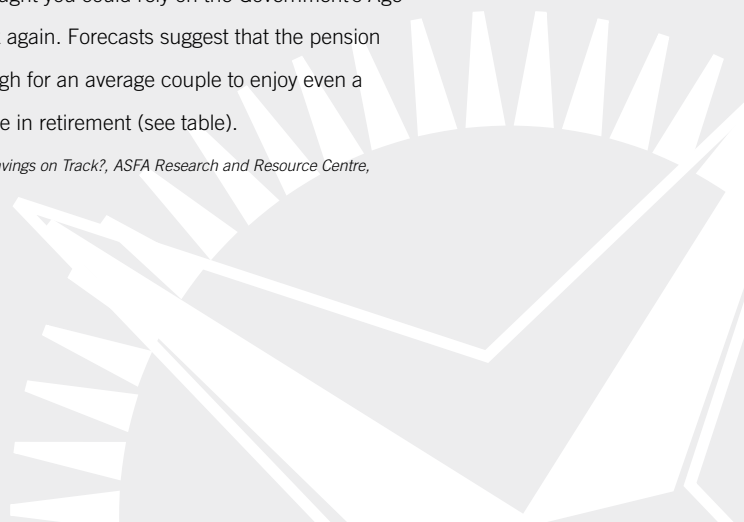
Preventing you from accessing your super until later in life may seem needlessly inequitable. After all, it's your money. However, the benefit of preservation is that it gives you more time to save.

Research shows that most Australians won't have saved enough money by the time they retire to enjoy a comfortable retirement¹.

And if you thought you could rely on the Government's Age Pension, think again. Forecasts suggest that the pension won't be enough for an average couple to enjoy even a modest lifestyle in retirement (see table).

¹Are Retirement Savings on Track?, ASFA Research and Resource Centre, June 2007.

TTR allows you to maintain your quality of life, while your money continues to be invested in the lower taxed environment of super.



So, how much is enough?

As a guide, your final retirement account balance should be about six times your final salary. In reality, the average payout is well below this amount – \$73,000 for women and \$155,000 for men².

When you look closer at what's needed to fund a comfortable lifestyle (see table), compared with these average balances, the figures are fairly confronting.

Average National Weekly and Annual Budgets for Retired Single Females and Couples

	Modest lifestyle – single	Comfortable lifestyle – single	Modest lifestyle – couple	Comfortable lifestyle – couple
Housing – ongoing only	\$70.03	\$93.03	\$72.43	\$95.43
Energy	\$12.86	\$14.08	\$15.33	\$16.54
Food	\$69.38	\$137.63	\$146.02	\$194.02
Clothing	\$14.67	\$30.97	\$25.30	\$56.49
Household goods and services	\$49.18	\$87.39	\$52.08	\$92.46
Health	\$12.49	\$52.62	\$23.55	\$103.49
Transport	\$72.64	\$110.85	\$73.44	\$111.66
Leisure	\$45.35	\$145.09	\$75.09	\$208.31
Personal Care	\$26.40	\$26.40	\$41.60	\$41.60
Gifts and/or alcohol and tobacco	\$0.00	\$23.43	\$0.00	\$46.86
Total per week	\$373.01	\$721.49	\$524.83	\$966.85
Total per year	\$19,450	\$37,621	\$27,366	\$50,414

Source: Westpac ASFA Retirement Standard, December 2008. Figures assume home ownership.

¹Are Retirement Savings on Track?, ASFA Research and Resource Centre, June 2007. ² Retirement Savings Update, ASFA Research and Resource Centre, February 2008.

Working out what you need

You can easily calculate how much you need to have saved or should be saving by downloading the Adequacy of Retirement Savings Questionnaire from our website at www.axisfg.com.au Once you have completed the form, please return it to AXIS Financial Group and we will complete a projection for you. Alternatively, give us a call and we'll help you work everything out.

How can AXIS Financial Group help?

If you need to start saving extra to reach your retirement goal, there are simple ways of doing this. You can:

- **Top up your super** – with concessional and/or non-concessional contributions.
- **Merge your super** – and benefit from higher interest on a bigger balance. You may also save on fees, but be sure to check for exit fees and loss of insurances before you leave your other fund.
- **Split your contributions** – there could be tax advantages for you and your partner by splitting your contributions.

AXIS Financial Group has over 10 years' experience in providing independent, quality financial advice in super and pensions.

If you'd like to know more about your retirement options, call the Advisory Group or Technical Services team on **(08) 9426 5800** or **1800 111 299** or email us at: mail@axisfg.com.au



Level 11, London House
216 St Georges Terrace Perth WA 6000
PO Box 7259 Cloisters Square Perth WA 6850

T: (08) 9426 5800 **F:** (08) 9426 5850

Freecall: 1800 111 299

E: mail@axisfg.com.au

W: www.axisfg.com.au

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