

# Fact Sheet Pension - TRP

Transition to Retirement Pension - an income while you work

#03a

## What is a TRP?

If you are over your preservation age\* and under age 65 and choose to continue working, you could choose to start receiving your super benefit as regular pension payments. ^ This means you can work and take an income from your super at the same time.

^ This option is not available to you if you are a temporary resident unless you hold or held a sub-class visa 405 or 410.

TRPs can only be commenced with accumulation funds, with the minimum rollover amount being \$25,000.

### \* Preservation ages

Date of Birth	Preservation age
Pre 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
Post 1 July 1964	60

Source: [www.ato.gov.au](http://www.ato.gov.au)

## Features

Some of the features of a TRP include:

- > Flexibility over your income, provided you draw an income between a minimum of 3% and a maximum of 10% of your account balance each financial year. (Note that the minimum of 3% has been reduced from 4% until June 2012 and will revert back to 4% on 1 July 2012);
- > Flexibility of income payment frequency ie: fortnightly, monthly, quarterly, half yearly and annual payments available;
- > Income is tax-free for those aged 60 and over;
- > No tax on investment earnings;
- > Choice of investment options and also the choice of which investment options you want your income drawn from; and
- > Options provided for your estate planning, such as death benefits paid to your spouse as continued pension payments or as a lump sum to your dependant(s) or estate.

## Minimum and maximums

There are restrictions on the amount you can regularly receive from your TRP. You must draw a minimum income of 3%\*, or a higher amount up to a maximum income of 10% of your account balance at commencement and thereafter as at 1 July in each financial year. If you have chosen to start your TRP during the financial year, the minimum payments will be calculated on a pro rata basis. You can make changes to your income amount at any stage, so long as you remain within your limits.

The term 'Transition to Retirement' means you cannot make any lump sum withdrawals from your TRP account unless you satisfy a condition of release under the preservation rules, such as you fully retire or reach age 65. You can, however, cease your TRP at any time by rolling it into an accumulation account, or another income stream account. Please refer to *Fact Sheet #3* for details on preservation rules.

\* For 2011/12, this minimum has been reduced from 4% to 3% of your account balance. The minimum will revert to 4% from 1 July 2012.

## Why choose a TRP?

A TRP provides you with the flexibility to reconsider your plans and timing for retirement.

Perhaps you want to reduce your working hours without reducing your take-home pay? Or maybe you need to draw additional income for a particular purpose. Or it might be possible to use a TRP to boost your super savings tax effectively?

## How can I do this?

A possible way of reducing your income tax is by salary sacrificing a part of your income into super. However, this could be unaffordable if your income is required for personal expenditure.

By introducing a TRP into this strategy, you have the ability to continue boosting super with salary sacrifice contributions and using your TRP income to cover your personal expenses.

If you are aged 60 or over, the TRP income will be paid to you tax free. We recommend that you seek financial advice in relation to your own personal circumstances before implementing your chosen strategy.

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## Example

John is 60 years of age and earns \$75,000 gross per annum. He has no surplus income after his expenses and also has an accumulation account with \$300,000.

John could:

1. Salary sacrifice \$40,000 per financial year and pay only 15% contributions tax on this contribution.
2. Purchase a TRP with \$300,000 and draw his required income.

### STEP 1

Salary sacrifice \$40,000 into John's super account.

	No salary sacrifice ^	With salary sacrifice ^
Gross income	\$75,000	\$75,000
Salary sacrifice		\$40,000
Adjusted gross income		\$35,000
Income tax payable*	\$17,175	\$4,785
Net income	\$57,825	\$30,215
Tax on salary sacrifice		\$6,000
Total tax paid	\$17,175	\$10,785

### STEP 2

Roll \$300,000 into a TRP account. As at 1 July:

Minimum income = at least 3% of account balance\*\*  
 = \$300,000 x 3%  
 = \$9,000

Maximum income = no more than 10% of account balance\*\*  
 = \$300,000 x 10%  
 = \$30,000

^ Income tax rates used are for 2011/12 financial year and include Medicare levy 1.5%.

\*\* the minimum and maximum pension amounts are re-calculated at the commencement of each financial year. If the pension is commenced during the financial year, the minimum pension payments will be pro rata for the duration of the financial year. Minimum income for 2011/12 has been temporarily reduced to 3% of your account balance.

John can now draw the extra money he needs from his TRP

Income sources	Amount
Net employment income	\$30,215
Net income from TRP: Between:	
Minimum \$9,000	\$27,610
Maximum \$30,000	
Equals total net income	\$57,825

### Other considerations:

1. John's concessional contributions cap is \$50,000 pa until 30 June 2012. Refer to *Fact Sheet #2* for further information on concessional contributions.
2. Salary sacrifice contributions count towards the income tests that determine your eligibility for various Government support benefits as well as the Government co-contribution, spouse contribution tax off-set and any self-employed income amounts.

## Seeking advice – is a TRP for me?

Purchasing an Equipsuper TRP is something you should consider carefully in the context of your overall financial strategy for your retirement. We recommend you obtain financial advice before entering into a TRP to ensure it is the right product for you. If you would like to speak to an Equipsuper Financial Planner, please call 1800 065 753, or you can visit the Equipsuper Financial Planning website at [www.equipfp.com.au](http://www.equipfp.com.au) for further information. EFP operates on a fee for services basis. Subject to certain conditions, these fees can be debited from your Equipsuper account.

## Where can I get more information...?

For further general information on Equipsuper's TRP, you can obtain a copy of the Equipsuper Pensions Product Disclosure Statement, available from our website [www.equipsuper.com.au](http://www.equipsuper.com.au) or **Helpline 1800 682 626**.