



# RICHARDS FINANCIAL

## TRANSITION TO RETIREMENT PENSIONS –BACK TO THEIR TRUE PURPOSE

The changes to superannuation announced in the 2016 Federal Budget have been passed by Parliament. Amongst the changes was legislation which will remove tax concessions for transition to retirement pensions (TTRs) and bring them closer to their purpose of providing income to members as they transition to retirement.

The new rules will remove the tax exempt status that TTRs have long enjoyed on earnings on fund investments. Assets supporting a TTR will generally be taxed at 15% from 1 July 2017.

The main issues that you need to consider because of the changes include:

Having a clear objective of the purpose of maintaining a TTR or setting one up in your fund.

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The main issues that you need to consider because of the changes include:

- Having a clear objective of the purpose of maintaining a TTR or setting one up in your fund.

Without the tax exempt status TTRs are no longer a 'no-brainer' in garnering tax concessions for your finances.

- TTRs are still useful to help you:

- Cut back on work hours and supplement your income with pension payments as you move towards retirement.

- Increase your income with pension payments while you continue in the workforce until a full condition of release is met.

- Reduce your taxable income and increase your superannuation balance without affecting your take home pay through a salary sacrifice arrangement.

- Reviewing your situation to determine if you are or soon will be eligible to start an account based pension (which has tax-free earnings) instead of a TTR.

- Ensuring that a condition of release (an event that allows you to access your super) has been met which allows a TTR to be commenced.

- Determining your eligibility and capacity to make salary sacrifice or deductible contributions pre and post 1 July 2017 will assist in a decision to start or maintain a TTR.

Transition to retirement pensions must still meet the current pension minimum standards beyond 1 July 2017. This means a minimum pension withdrawal of 4% and a maximum pension withdrawal of 10% of your TTR balance.

Transition to retirement pensions will also potentially have access to the transitional capital gains tax relief for superannuation assets affected by the new rules starting on 1 July 2017. This

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