WEALTH SOLUTIONS

WAYS TO WEALTH - IN YOUR 60's

START ENSURING THAT YOUR MONEY LASTS LONGER!

You might have retired, be semi-retired or still be working full-time. Perhaps you want to help your grandchildren or children financially. You may even be considering downsizing your home to make sure your money lasts for a long time, and to support your lifestyle choices.

- **Get financial advice on accessing your super while still working**
- **Advantages of retiring after 60**
- **Maximise government benefits**
- **Accelerate your super savings**
- **Use non-super assets to contribute to super or provide an income**
- **Release other wealth**
- **Review your Will**

GET ADVICE ON ACCESSING YOUR SUPER WHILE YOU WORK

This could really boost your wealth. Some people access their super while still working, so they can reduce work hours without compromising their income. But the real power lies in using your super income stream to maximise your potential to salary sacrifice into super. Once Brad turned 60, he ended up with almost $5,000 more in super per year by doing this. Please refer to 50's section - on how to "Access your Super from age 55". If Brad refreshed his strategy each year from age 60, the amount of extra super could be even more.

Quicktip

Age 64 - your last chance for after-tax contributions Take advantage of greater after-tax super contributions flexibility up until age 65. If you're under 65, you can bring forward 2 years' worth of contribution limits into the year you're in. So you might contribute $450,000 in year one and nothing in the next two - or $300,000 in year one, and $75,000 in each of the next two years, for example. This can be handy if you have large amounts you want to contribute, such as an inheritance or proceeds from the sale of assets. Contributions in excess of the limits are taxed at the top marginal tax rate.

Any lump sum super withdrawal or super income stream you receive once you turn 60 will now generally be completely tax-free. But while there are increased tax benefits of starting a super income stream, there's no obligation to start drawing on your super. You can leave your money in super as long as you want.

ADVANTAGES TO RETIRING AFTER 60

Since July 2007, taxation on superannuation benefits has been simplified for those retiring after age 60. It can now be summarised simply in two words: tax-free.

It no longer matters when you started your super, the types of contributions made and how you make the withdrawal. If your super comes from a taxed super fund - which most of us have - your benefit will be paid to you tax-free. If your super comes from an untaxed fund, such as many public sector funds, you may still be subject to income tax, but at a lower rate than if you were under age 60.

More benefits

The benefits of delaying your retirement until you reach age 60 continue:

- Your super income doesn't count towards your taxable income.
- If you keep your super money in a pension or annuity, the earnings and withdrawals are tax-free.

Note: If you retire, you can leave your money in your super plan indefinitely. This is called the accumulation phase. Money keeps earning returns and the earnings are taxed at 15%. It can make financial sense to move this money into an annuity or pension rather than leave it in your super fund.

MAXIMISE GOVERNMENT BENEFITS

Accessing your super while still working can offer several benefits. As well as providing a regular income, they may receive favourable Centrelink income test treatment. Also, there is no tax on the super income stream or the earnings in the fund.

If you leave all your money accumulating in super, your super assets will be 'deemed' by Centrelink to be earning a specific rate of return. But if you start an income stream, a portion will be ignored for Centrelink income test purposes.

Quicktip

Remember to check your Centrelink entitlements from time to time, especially if your pension payments change.

*Roger's story**

65-year-old Roger is single, owns his home, has $185,000 in super. He plans to either draw $9,800 as a lump sum from his super or start a super income stream (before 1 January 2015) and draw $9,800. Either way, he'll pay no income tax because he is over 60 - but his age pension entitlement will be different.

By leaving the money in super, Centrelink will deem the first $46,600 of his $185,000 in super to be earning 2.0% and the balance earning 3.5%. So, under the Centrelink income test, he's deemed to be earning $5,776 from his super. As a result, his age pension entitlement for the year is reduced by $860 to $20,645.

*By starting a super income stream before 1 January 2015 with the $185,000 instead, Roger receives a $9,978 annual deduction against his $9,800 pension drawings, entitling him to an age pension for the year of $21,505. Just by accessing a super income stream, Roger is entitled to $860 more in his age pension over the year.**

If Roger remains on the age pension and stays in the same account based pension after 1 January 2015, he will continue to benefit from this rule.

If however, he loses the age pension at some stage, or stops his existing account based pension (ie by switching back to accumulation or rolling over to another provider), then any new account based pension he commences on or after 1 January 2015 will be deemed to earn a certain rate of return.

Quicktip

If you are retired or about to retire, make sure your assets are structured to make the most of government benefits. The right arrangements could boost your age pension entitlement or give you access to some age pension you wouldn't have otherwise had. A financial planner can show you how.

ACCELERATE YOUR SUPER SAVINGS

If you are still working salary sacrificing can be one of the most tax-effective ways to put money into super - meaning you get more in retirement savings, particularly if you're on a higher personal tax rate.

What is Salary Sacrifice?

Salary sacrificing is where you nominate a certain amount of your future pre-tax salary to go straight into your super. You can grow your super and reduce your tax at the same time.

Your reduced salary (that is, your salary minus the amount you salary sacrifice to super) becomes your assessable income for personal income tax purposes. However, since 1 July 2009 salary sacrifice may be used to work out entitlements for certain tax offsets and government benefits.

For example, say you earn $70,000 and contribute $3,500 of your salary to super using salary sacrifice. At tax time, your assessable income will only be $66,500 ($70,000 less $3,500).

What you need to know

- People on a higher marginal tax rate are more likely to benefit from salary sacrificing.
- The amount you salary sacrifice is not subject to PAYGW and will not appear on your payment summary.
- Your salary sacrifice contribution will be taxed at 15% when it's received by your super fund.
- A Concessional Contributions Cap applies of $35,000 per annnum applies
- There is a maximum age limit of 75, however after the age of 65 you must satisfy the 'work test' to be eligible to Salary Sacrifice *i.e. you must be working at least 40 hours in 30 day period.*

Getting started

Check whether your employer allows salary sacrifice arrangements. If they do, you'll need to consider:

- How much you want to contribute from your salary. Usually you can nominate the amount as either a percentage or fixed dollar amount.
- Whether you want to sacrifice any of your future bonus, if you receive one, to super.
- Whether or not you would like to salary sacrifice any future leave entitlements. Generally speaking, you can only salary sacrifice leave payments that you have not yet accrued or become entitled to.

RELEASE YOUR ASSETS + DOWNSIZING

Not everyone has their retirement savings invested purely in superannuation. Some people hold assets outside super such as investment properties, shares or managed funds that they intend to use to help fund retirement.

A "releasing your wealth" strategy could help you boost your retirement savings by releasing capital from assets held outside super and moving it into super to take advantage of the concessionally taxed environment.

Some common ways of releasing capital include:

- Downsizing: selling your home and moving into a smaller property, and/or
- Selling an investment property.

The timing will obviously be driven by your personal circumstances, but a "releasing your wealth" strategy can work.

- As you approach age 55: helping you build your super savings to ensure you have sufficient funds to income swap from age 55, or
- Immediately prior to or at retirement.

What factors do you need to consider?

"Releasing your wealth" is a relatively complex financial strategy and whether you can benefit depends on many factors. It makes sense to seek professional financial advice. However, some of the key issues you need to consider are summarised below:

- Tax treatment of super v non-super investments: the primary benefit from a "releasing your wealth" strategy comes from the concessional tax treatment of super. It is important to remember:
- Generally any income from super after age 60 is tax free,
- Contributions limits: under the current rules you may contribute up to $540,000 of non-concessional contributions into super over three years if you are under 65.
- If you are over 65 and single, you can receive income of up to $32,279 from non-super assets tax free. Thereafter, you will be subject to tax. If your income from your non-super assets is greater than $32,279, a releasing your wealth strategy may be of benefit.
- Centrelink entitlements: the way you structure and hold your assets can influence your Centrelink entitlements. Centrelink treatment of certain income streams is much more favourable from an income test perspective than a financial investment which is subject to deeming. Centrelink thresholds and payments are indexed in line with inflation.
- Capital gains tax implications: when selling/transferring assets into super.
- Costs associated with transferring your assets.
- Liquidity of other assets.

REVIEW YOUR WILL

Having a valid will can help make sure your estate is managed and distributed how you intended.

Wills

A will sets out how you want your estate to be managed and distributed, after your death. It can also include the appointment of a guardian for your children. Without a will, management of your estate can be costly, time consuming and must be distributed according to legislation, rather than as you decide. Therefore, it is important to have a valid will and to review it regularly to make sure it is still in line with your intentions. A solicitor can help you make decisions about what you want done with your estate and then prepare the will for signature.

Enduring power of attorney

If you were to become incapable of handling your affairs, control of your assets could revert to a person appointed by a court. It would be more useful if you had an enduring power of attorney set up now so that if you cannot manage your affairs, someone you trust and have chosen to act for you, can make the important decisions affecting you and your affairs. A solicitor can help with setting up a power of attorney, setting the terms and how they will apply.

WHAT NEXT

Building and maintaining wealth is an ongoing journey. Stay proactive and keep looking for ways to make the most of what you have.

In planning your way to wealth you should take a holistic approach, looking at your debts and assets, present and future needs, and considering tax implications and how decisions could impact on entitlement to government benefits.

If you would like further information on this wealth building strategy, please contact **Tony Rimac from PT Wealth Solutions on 9891 1544 or tony@ptws.com.au** who can assist by providing you with the correct tax and investment advice.