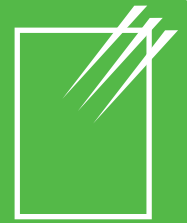


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# PIS Timely Tips



## Choosing the path to retirement

Access your super while still working.....and retire with more when you're ready.



Transitioning to retirement is all about how and when you want to retire. Reaching retirement means going from working full-time one day to not working the next. Ceasing work means your primary source of income ceases and you need to rely on your retirement savings, and any social security payments you may be eligible for.

What you do during the transition to retirement stage will have a significant influence on your retirement lifestyle.

Transitioning to retirement is about planning ahead to:

- Make the most of tax benefits;
- Provide the funds to enable you to choose how much you want to work and when you want to retire; and
- Give you the financial freedom to choose how to enjoy your extra time after you finish full-time work.

But knowing which path to take can sometimes be difficult.

Making the right decisions as you get closer to retirement can make all the difference to the life you enjoy when you're ready to stop work and reap the benefits. Your financial adviser can review your circumstances and assist you in making a successful transition.



### A transition to retirement strategy

Once you reach your preservation age (currently 55) you can access your superannuation benefits as a non-commutable account based pension while working. Once you retire, or reach age 65, the pension becomes fully accessible.

This gives you two options:

1. You can continue to work full-time until retirement and replace salary or business income with a pension; or
2. You can reduce the hours you work while supplementing your income via a pension.



### Choosing the right path requires financial advice

The best transition to retirement strategy will depend on your personal circumstances. A financial adviser can review your specific situation and devise the optimal transition path for you.

### How choosing the transition path can put you on the road to your retirement dream

- Your lifestyle can be maintained as you can supplement reduced salary with an income stream,
- Your superannuation will continue to grow, ready for when you retire completely,
- Your pension income is concessionally taxed, which means you can contribute more to super than you draw as a pension. The tax concessions on pensions are:
  - While under 60, part of your pension may be tax free;
  - 15% tax rebate on your pension from preservation age (55) to 59;
  - Tax free pension from 60; and
  - Investment earnings in pension phase are tax free.



Source: Aviva

## Did you know?

25<sup>th</sup> December was officially designated as Christmas Day in the 4<sup>th</sup> century. On 25<sup>th</sup> December 1066, William the Conqueror was crowned King of England at Westminster Abbey.

Source: The History Channel.



**About our services:** The Group has offices in all capital cities throughout Australia as well as an extensive regional network. Our highly skilled and trained consultants will assist you in determining the financial strategy that is right for you.

#### List of Services:

- Wealth accumulation
- Superannuation/rollovers
- Retirement planning
- Mortgage elimination
- Shares and property
- Fixed interest and cash
- Tax planning
- Finance services
- Home mortgages
- Business planning
- Risk insurance
- Corporate superannuation
- Corporate services

## Control what you can



Feeling the strain of falling markets and rising costs? From focusing on your investment strategy to making the most of tax benefits, there are lots of ways to beat financial stress.

Extraordinary plunges in world financial markets, and the resulting flow-on effect on the Australian sharemarket, have seen many investors lose value in their portfolios. If that weren't enough, we're dealing with increased costs such as: higher food prices, as well as increasing rents.

Financial advisers are seeing a lot of nervous clients lately who find it hard to understand why Australia is having this downturn, when all of the problems are in the US or somewhere else. Because our economy has been growing strongly – employment is strong, the standard of living is high.

### Years in the making

While it may seem like things have suddenly become harder, the trend has been evident for years. Take food costs for example. There has been rapid economic growth in developing nations such as China, India and Vietnam, and as nations grow richer, dietary habits change and the demand for meat and other food increases.

Add to this higher food production costs, supply crises as a result of poor weather conditions and loss of arable land and you can see why a visit to the supermarket seems to hurt more each time.

On the mortgage front, since May 2002, the Reserve Bank of Australia raised official interest rates 12 times; from 4.25% to 7.25%. This has been reduced to 4.25% as at 19<sup>th</sup> December 2008. That's on top of house prices increasing four-fold between 1985 and 2004, when incomes only doubled during the same period. This makes Australian housing, when compared to wages, among the world's least affordable.

Recently, the Australian Bureau of Statistics released a breakdown of the latest census figures which showed a million households were in housing stress – that's when more than 30% of gross income is spent on rent or mortgage repayments. In fact, the Household savings ratio (a measure of what we spend compared to what we earn) has been negative since 2002.

So it's no wonder so many people are feeling increased financial pressure. But if you're one of them, there are many things you can consider to help ease the stress.

### Stress busting

Overall, the main tip is to remain focused on your investment strategy and try to make the most of any government and tax benefits available.

Making hasty, panicked decisions, such as selling shares to convert your investment into cash, may not be the best move in the long term. It's important to talk to your financial adviser to check what works best for you.

For those close to retirement, get in

touch with your adviser and consider commencing a transition to retirement pension, if possible. Get that 'tax-advantaged' income stream, start salary sacrificing money back into super, and depending on your personal circumstances you may be able to get your marginal tax rate down to 15%.

Meanwhile, for those who have retired, it is suggested that you reassess your Centrelink benefits if the value of your assets has fallen during the latest market volatility.



Clients on pensions should not be too concerned about the value of capital. If you can, go for the minimum pension. So if you are taking the 4% or 5%, you're only using the income that's generated from the portfolio and essentially not touching your capital. Taking anything up to 6% of your asset base in annual income is reasonable; any higher and you're likely to be running down the capital at a faster than reasonable rate.

### Clear your debt

When it comes to debt, financial advisers believe you should be doing everything possible to reduce the amount you owe. People shouldn't have any debt on credit cards. They should pay it off every month. It's silly to pay the 20% interest if you have the money available elsewhere.

You can't control the interest rates, rising prices or the markets. But you can control your strategy.

*Source: Colonial First State*

Your local adviser office is located at:

#### Disclaimer

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