HOSPO HEALTH

MAIN STREET FINANCIAL SOLUTIONS

Superannuation & retirement – you need to think about it now

IT'S NEVER TOO EARLY TO STARTING THINKING ABOUT RETIREMENT

For many Australians, superannuation is a mysterious and unfamiliar area until they are approaching retirement age.

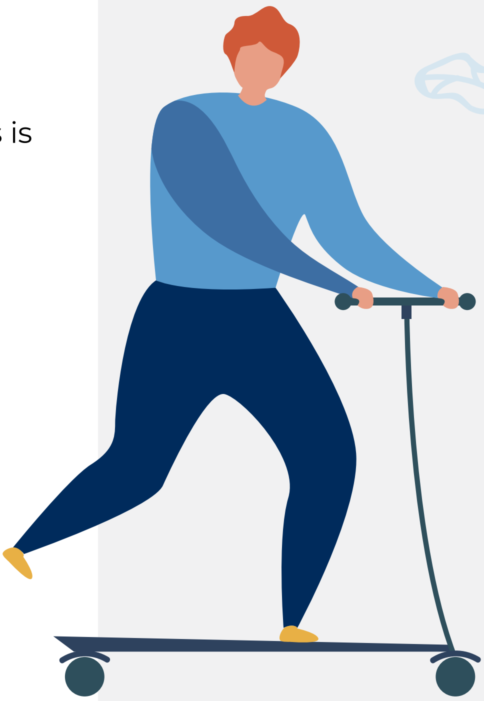
Superannuation offers an environment in which retirement savings can grow at a faster rate than otherwise due to the concessional tax rates.

Upon retirement many individuals commence an income stream or what is known as an 'account-based pension' from their superannuation portfolios assuming they are eligible. An income stream is created by converting your superannuation savings from accumulation phase to what is commonly referred to as the pension phase. If you are age 60 or over, there is no tax payable on investment earnings, capital gains or income received from an account-based pension.

The Association of Super Funds Australia ("ASFA") estimate that for **Comfortable lifestyle** from age 65 through retirement a couple requires $66,725 per year and for a **Modest lifestyle** $43,250 per year. The annual income is less for a single person and is estimated to be $47,383 for a Comfortable lifestyle and $30,063 for a Modest lifestyle.

According to the Super Guru, at retirement, the average superannuation savings for males is $359,870 and for females is $289,179.

Are you on track to reach your financial objectives through retirement?



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WHAT SORT OF SUPER SHOULD I HAVE?

Traditionally the most effective strategy for most Australians involved maximising your superannuation contributions so that when you retired you would be able to receive a tax-free superannuation pension. However, with the superannuation changes that came into effect on 1 July 2017, the position is no longer as clear as it once was and what is appropriate for you really depends on your personal circumstances, needs and objectives.

The most effective strategy as you move towards retirement depends on your situation however may include one of the following types of portfolios:

- An account-based pension (or transition to retirement pension if you are still working);
- A Super Accumulation Account; or
- A non-super portfolio.

This approach allows you take advantage of the different tax regimes that each portfolio offers.

WHAT ARE THE TAX IMPLICATIONS INSIDE SUPERANNUATION?

Once the monies are invested inside the superannuation environment, they are subject to more favourable tax rates than if invested outside super where the monies are taxed at your marginal tax rates.

Within superannuation in the accumulation phase

- Tax on investment earnings inside super are taxed at 15% and
- Capital gains are taxed at 10% (15% if asset is held less than 12 months).

Within the pension phase the tax implications are

- Tax on investment earnings inside super are tax free for those over 60 and for those under 60 or using a Transition to Retirement Pension these are taxed at 15% and
- There is no capital gains payable on the sale of any assets in the pension phase.

The downside to investing inside super is the inability to access monies until you reach your preservation age and meet a condition of release.

HOW MUCH CAN I CONTRIBUTE INTO SUPERANNUATION?

There are two main types of contributions you are able to make to super, which are:

- **Concessional** – these contributions are taxed at a concessional rate of 15% upon entry to the super fund. The annual concessional contribution cap is $27,500 per financial year.
- **Non-concessional** – these contributions are already taxed at your marginal tax rates prior to being contributed to super. Upon contributing there is no additional tax payable therefore 100% of the contribution is received into the super fund. The annual non-concessional contribution cap is $110,000 per financial year or $330,000 utilising the 3-year bring-forward rule.