



Retirement Planning

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22 November 2017

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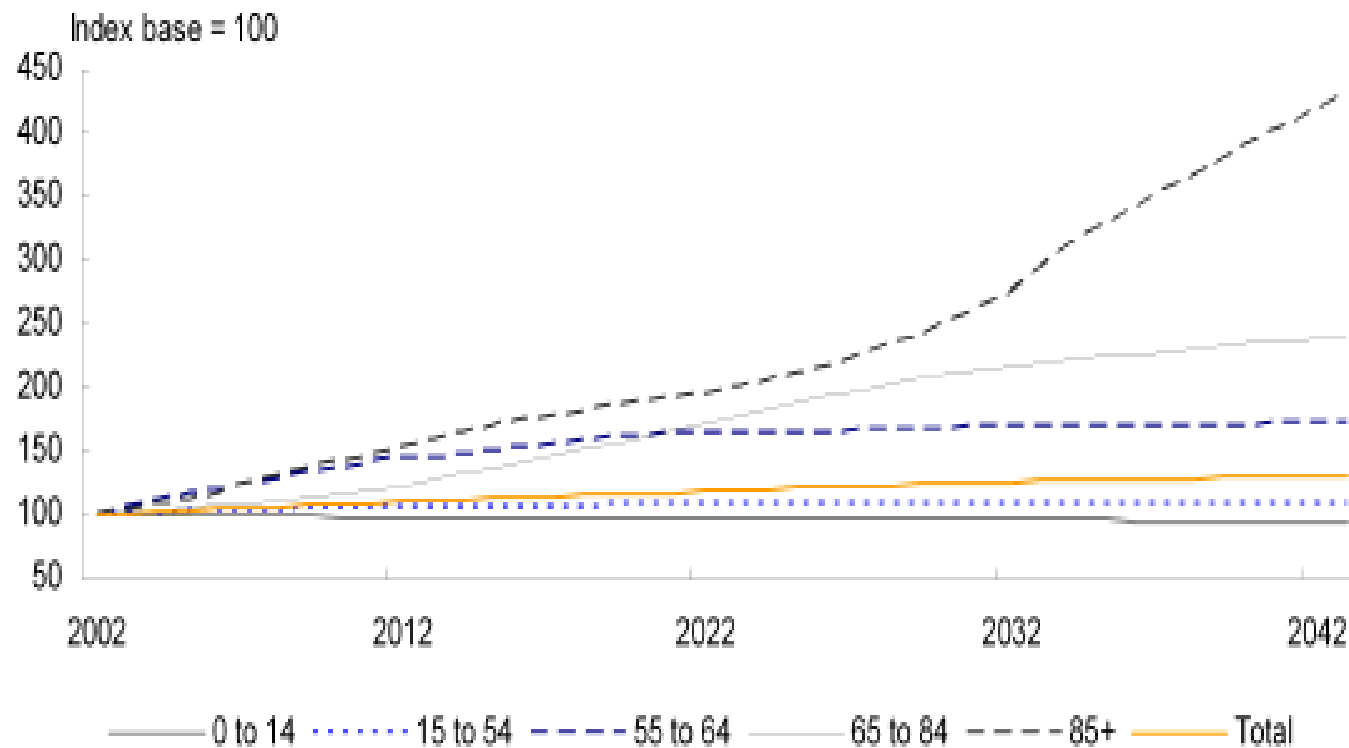
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Agenda

- How much do you need for retirement?
- What is the best way to save?
- How can you save more through super?
- How to receive a steady retirement income?
- Will you be eligible for Centrelink entitlements?

The ageing population - Australia

Projected population growth indices by age group



The number of Australians aged 65+ is expected to increase from 13% of the population to around 25% by 2042

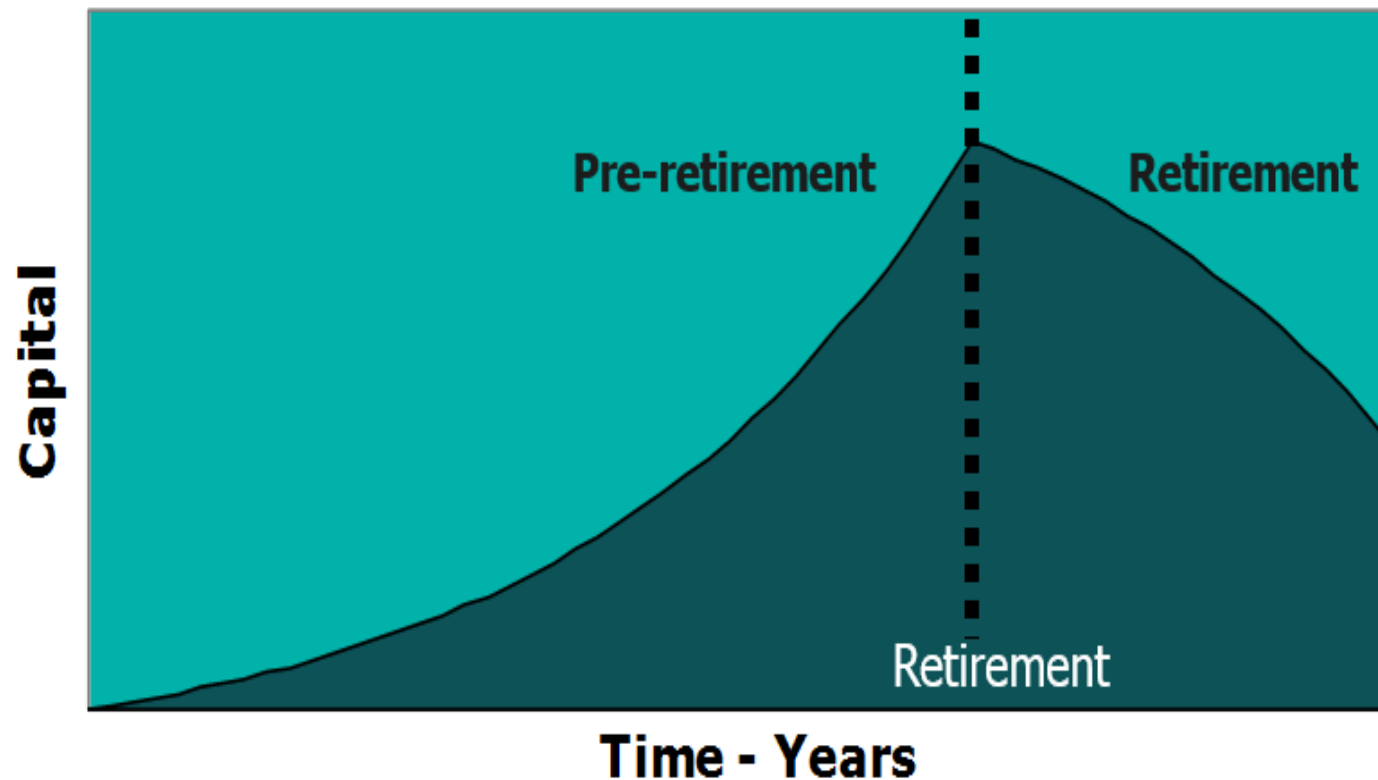
* Source: Australian Bureau of Statistics

The emotional side of retirement

- Are you ready to retire?
- Will I miss the social aspect of being around people all day at work?
- It's just like taking a holiday....or is it?
- What will you do with your extra time?
- Do you want to stay in your home or move?
- Partner issues can include differing (and conflicting) ideas on retirement lifestyle

How much do you need for retirement?

Wealth creation and wealth drawdown



Retirement planning is about having sufficient funds set aside to adequately replace your income when you stop working

How much do you need for retirement?

Experts say you may need 60% to 80% of your final working year's salary each year during retirement.

How much you will need to live comfortably in retirement will depend on a range of things:

- How much income you will need in retirement?
- How long do you expect to be retired?
- How much you expect your investments to earn in your retirement years?
- What do you want your retirement years to be like?
- How would you like to spend your time?
- What would you like to be doing?

How much do you need for retirement?

- ASFA Retirement Standard*

	Modest Lifestyle		Comfortable Lifestyle	
Retirees aged 65 – 85	Single	Couple	Single	Couple
Annual expenses	\$24,270	\$34,911	\$43,695	\$60,063

	Modest Lifestyle		Comfortable Lifestyle	
Retirees aged > 85	Single	Couple	Single	Couple
Annual expenses	\$23,878	\$35,369	\$39,443	\$55,382

* Source: Association of Superannuation Funds of Australia (ASFA) Retirement Standard, June Quarter 2017

What is the best way to save?

Strategies to assist you in working towards a comfortable retirement:

- Maximise your super through contributions
- Reduce the amount of tax you have to pay
- Work longer
- Save more and spend less
- Review your investment strategy
- Pay off non-deductible debt
- Downsize your home

What is the best way to save?

	Individual	Company	Trust	Superannuation fund
Cost to establish and run	Low	Higher	Higher	Low - high
Maximum tax rate	Top Marginal Rate + Medicare Levy	30%	Top Marginal rate or 30% if beneficiary is a company	15%
Taxable capital gains	Paid by individual	Paid by company	Paid by beneficiary	Paid by trustee
Access to CGT discount	Yes	No	Yes	Yes (lower discount)

Who can contribute?

- Age restrictions

< Age 65	Contributions can be made without having to meet a work test
Age 65 - 74	Employer SGC Personal contributions (must satisfy the work test)
Age 75 +	Employer SGC

Maximising contributions

- Concessional contributions
- Non-concessional contributions

Concessional contributions

- Employer contributions
- Salary sacrifice

Surplus Income	Taken as salary	Salary sacrificed
Surplus Income	\$10,000	\$10,000
Tax rate	47%	15%
Tax payable	\$4,700	\$1,500
Net funds for investment	\$5,300	\$8,500
Net benefit		\$3,200

- Personal deductible contributions

Concessional contributions

- Personal deductible contributions – case study

- Melissa (45) is self employed and pays tax at the marginal tax rate of 47%. She recently sold some shares for \$50,000 which resulted in a capital gain of \$25,000

Assessable capital gain	\$25,000
Less 50% discount	(\$12,500)
Taxable capital gain	\$12,500
CGT payable at 47%	\$5,875

Concessional contributions

- Personal deductible contributions – case study con't

- Melissa decides to make a personal deductible contribution of \$12,500 from the sale of her shares into her super fund where she will be eligible to a \$12,500 tax deduction

Assessable capital gain	\$25,000
Less 50% discount	(\$12,500)
Taxable capital gain	\$12,500
Less personal contribution tax deduction	(\$12,500)
Net taxable gain	Nil
CGT saved	\$5,875
Less 15% tax on contribution	(\$1,875)
Net tax saving	\$4,000

Non-concessional contributions

- Reduced cap of \$100,000 per year and \$300,000 under 3 year bring forward rule
- Subject to \$1.6m super balance test

Member super balance	Non-concessional contribution cap	Bring forward period
<\$1,400,000	\$300,000	3 years
\$1,400,000 – 1,499,999	\$200,000	2 years
\$1,500,000 – 1,599,999	\$100,000	1 year
\$1,600,000 or more	Nil	N/A

Other contributions

- Spouse contributions
- Contribution splitting
- Small business CGT concessions

How to receive a steady income stream?

Your income stream choices

- Transition to retirement pensions
- Account based pensions
- Annuities

Transition to retirement pension

■ What is a TtR?

- An income stream that generally cannot be cashed out until you meet another condition of release (e.g. retirement)

■ How does it work?

- A TtR pension can be set up as soon as an individual reaches their 'Preservation Age' (currently age 56).
- A person can still be working AND still commence a TtR.
- You cannot access capital from a TtR until you actually "retire" or reach age 65

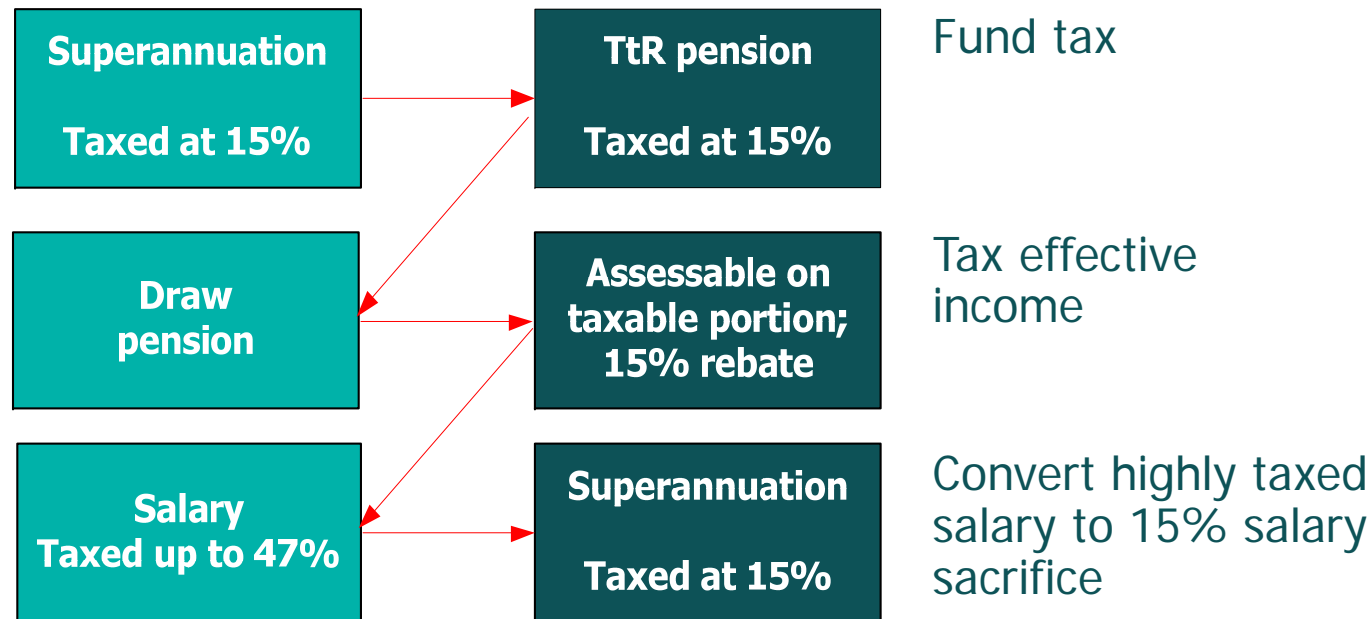
■ How much income can I withdraw?

- Minimum: 4% (based on age)
- Maximum: 10%, no maximum after age 65

Transition to retirement pension

■ TtR strategy

- Invest existing super in TtR
- Use income payments from TtR to replace reduced salary
- Sacrifice part of your prospective salary into super



Transition to retirement pension – case study

- Peter is aged 60 on 1 July 2017
- Salary is \$100K
- He has \$700K in super earning 5% p.a.

Alternative strategy – restructuring Peter's assets

- Peter commences TtR pension on \$700K
- Salary sacrifice \$15,500 and keep \$84,500 as salary

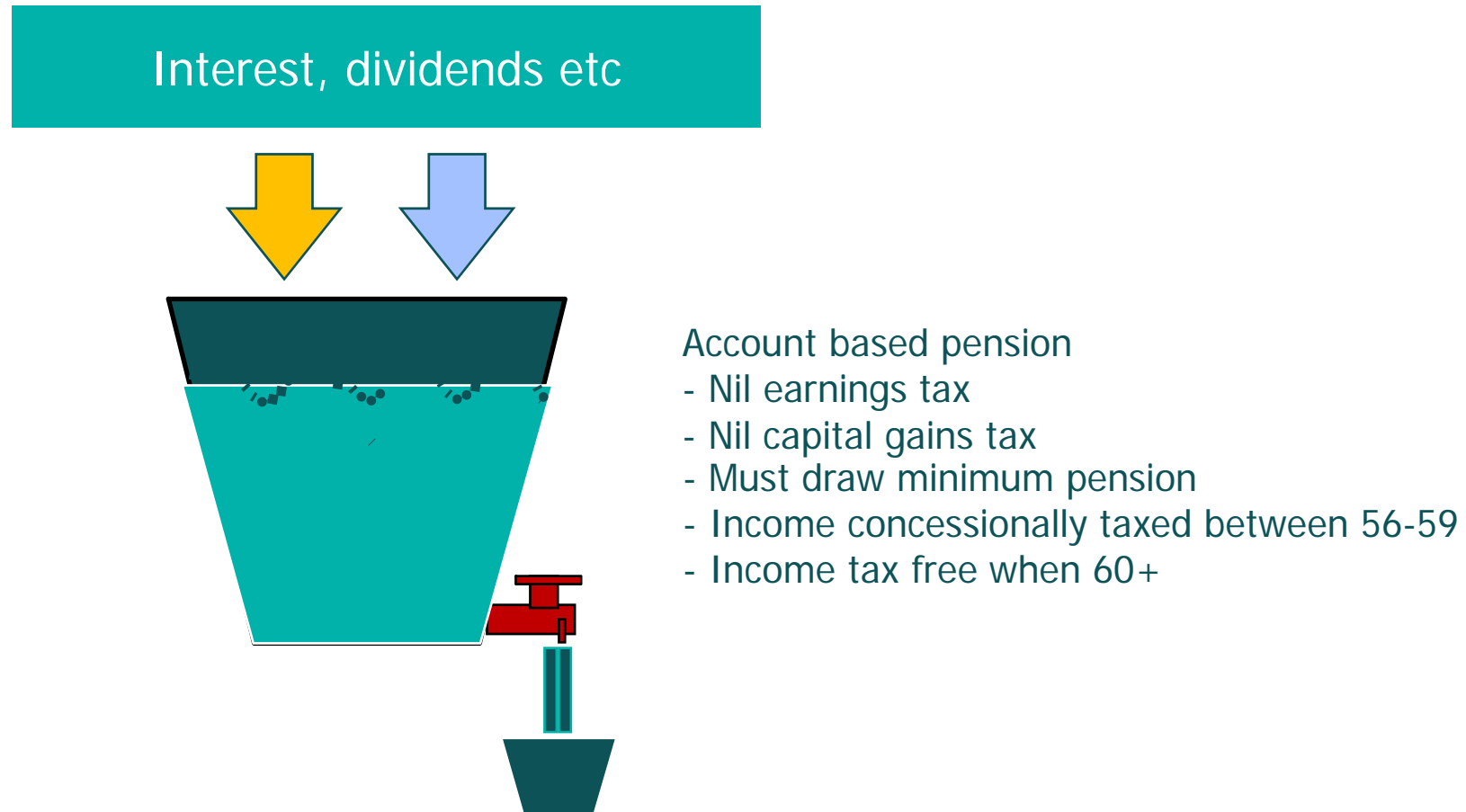
Note: maximum concessional contribution into super is \$25K

Transition to retirement pension – case study

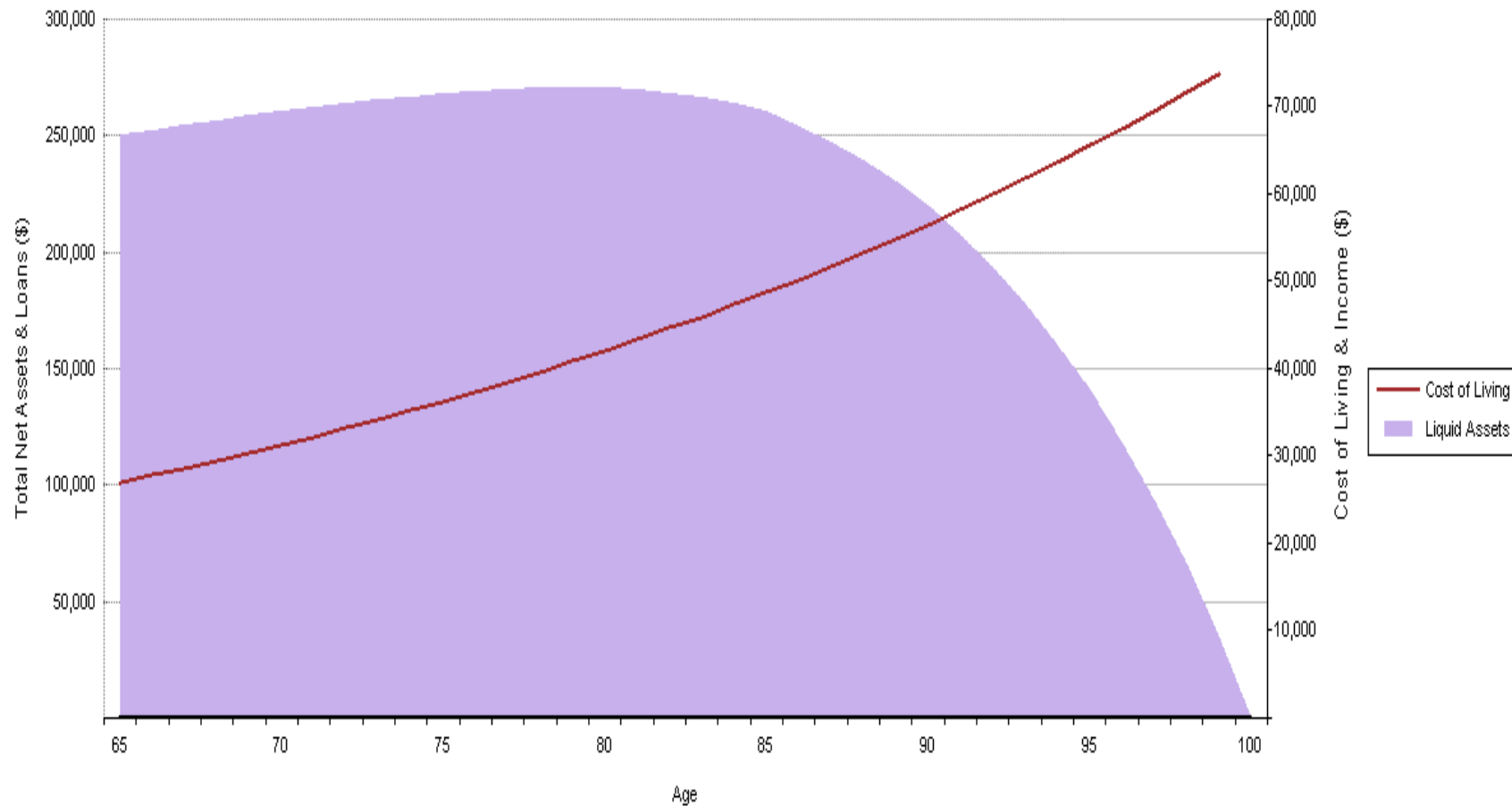
	Taken \$100K as salary	Sal sac \$15,500, take \$84,500 as salary
Income tax (incl. medicare)	\$26,632	\$20,700
15% contribution tax (SG)	\$9,500	\$9,500
15% contribution tax on \$15,500	-	\$2,325
Tax on super earnings @ 15%	\$5,250	\$5,250
Income tax on TtR on \$9,568	-	-
Net income	\$73,368	\$73,368
Total tax	\$41,382	\$37,775

Net tax saving \$3,607

How an account based pensions work

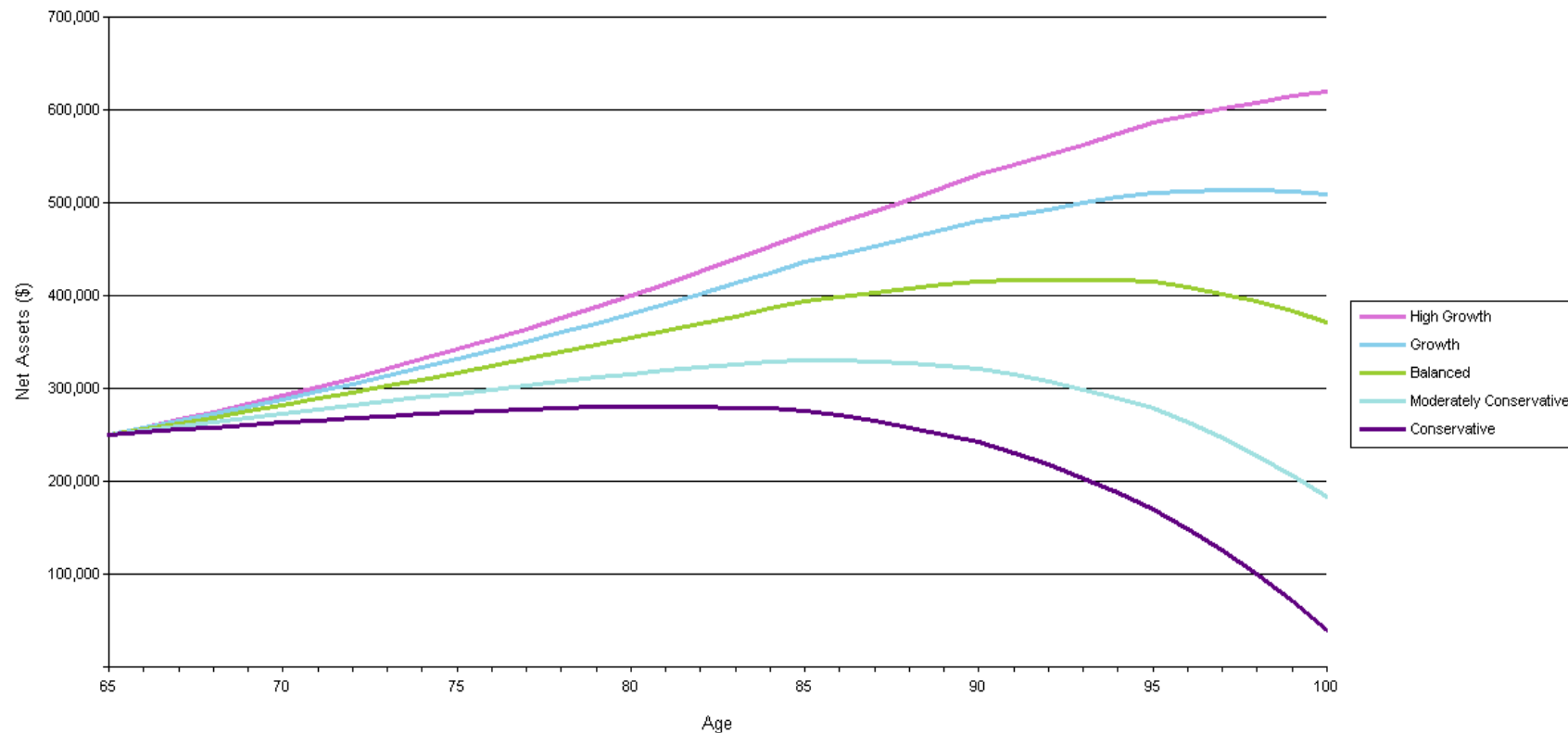


Account based pensions – how long do they last?



Account based pensions – how long do they last?

Projection of investment balance – sensitivity of net assets based on different risk profiles



Fixed income annuities

■ Types of annuities

- Lifetime: Pay you an income stream for the rest of your life
- Fixed term: Pay you an income stream for the rest of your life
- Life expectancy: Pay you an income for your life expectancy

Retirement income - choices

	Account based pension	Annuity
How long payments last	Until your account balance runs out	Either fixed term or rest of your life
Investment choice	Can choose from a range of investments	No investment choice
Amount of payment	Choose between minimum & maximum limits, based on account balance	Guaranteed amount, may increase with inflation
Access to capital	At any time	Only in limited circumstances
Centrelink assets test	100% account balance	100% account balance
Centrelink income test	Annual payment less an exempt amount	Annual payment less an exempt amount

Which income stream?

- Match income streams to your needs and objectives

- Certainty of income
- Flexibility
- Control
- Capital access
- Outliving risk
- Investment choice

Will you be eligible for Centrelink entitlements?

- Age Pension age for male is 65 years
- Age pension age for female is

Individual born	Age Pension age
1 July 1935 - 31 December 1936	60 years, 6 months
1 January 1937 - 30 June 1938	61 years
1 July 1938 - 31 December 1939	61 years, 6 months
1 January 1940 - 30 June 1941	62 years
1 July 1941 - 31 December 1942	62 years, 6 months
1 January 1943 - 30 June 1944	63 years
1 July 1944 - 31 December 1945	63 years, 6 months
1 January 1946 - 30 June 1947	64 years
1 July 1947 - 31 December 1948	64 years, 6 months
1 January 1949 onwards	65 years

Age Pension - rates

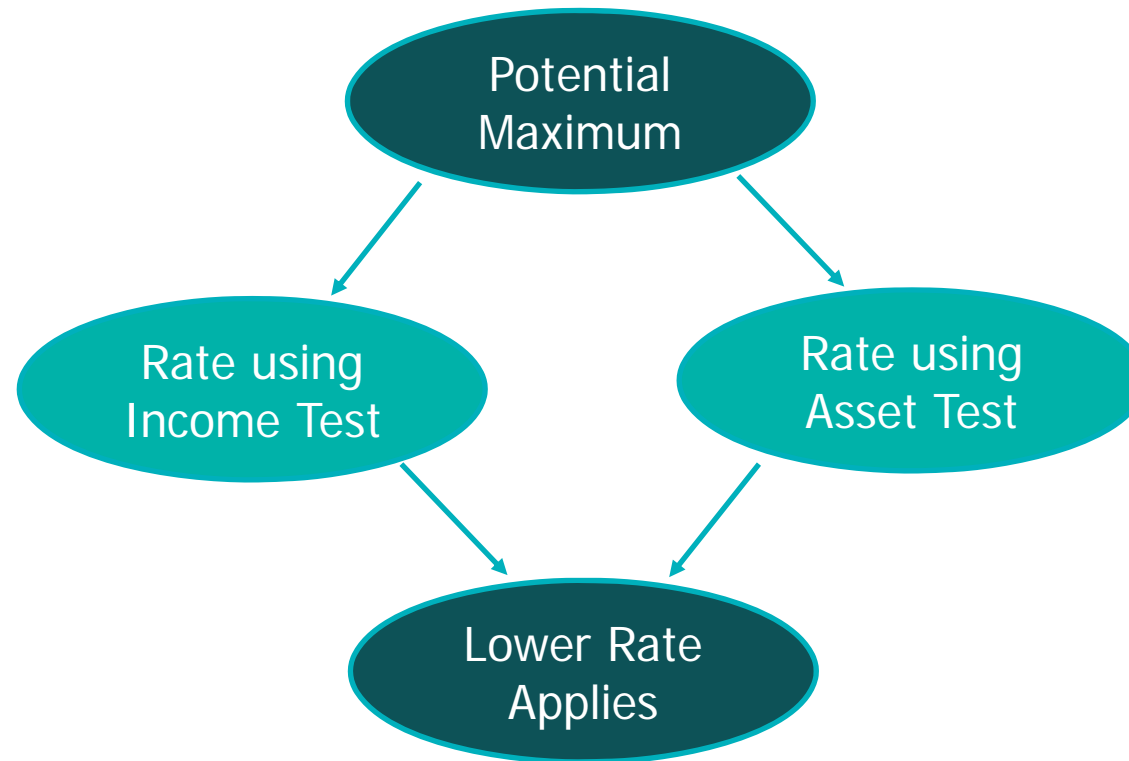
Effective from 20 Sep 2017	Maximum payment (incl. pension & energy supplement)
Single (per fortnight)	\$894.40 p/f \$23,254.40 p.a.
Couple (each member of a couple, per fortnight)	\$674.20 p/f each \$17,529.20 p.a. each

Age Pension - benefits

PENSIONER CONCESSION CARD

- Benefits even if you receive only \$1 in aged pension:
 - Pharmaceutical benefits
 - Concessional access to dental and optical care
 - Discount on council & water rates
 - Discount on gas & electricity bills
 - Telephone allowance
 - Discount on public transport fares
 - Discount in license fees & car registration

Age Pension – Income & Assets test



The applicable test may change as circumstances change

Age Pension – assets test

Family Situation (20 Sep 2017)	Couple - Home owner	Couple - Non home owner	Single - Home owner	Single - Non home owner
Lower Threshold	\$380,500	\$583,500	\$253,750	\$456,750
Upper Threshold *	\$830,000	\$1,033,000	\$552,000	\$755,000

** Part pension will be cancelled when your assets are more than the upper threshold*

Age Pension – income test

From 20 Sep 2017	Minimum income thresholds	Maximum income thresholds
Single	Up to \$168 p/f (\$4,368 p.a.)	\$1,956.80 p/f (\$50,876.80 p.a.)
Couple (combined)	\$300 p/f (\$7,800 p.a.)	\$2,996.80 p/f (\$77,916.80 p.a.)

Commonwealth Seniors Health Card

- Reach Age Pension Age but do not qualify for Age Pension
- Benefits
 - Cheaper medicines under the Pharmaceutical Benefits
- Annual adjusted taxable income (ATI) of
 - Less than \$53,799 (for a single person)
 - Less than \$86,076 (for a couple, combined)

How we operate

<p>Complimentary meeting</p> <p><i>No cost to you</i></p>	<p>Fee for service</p> <p><i>Complete objectivity</i></p>
<p>Hourly rate</p> <p><i>Varies depending on the complexity of your situation</i></p>	<p>No commission</p> <p><i>Our advice is in your best interest</i></p>

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Thank you