PRE-RETIREMENT PENSION STRATEGY

The pre-retirement pension strategy may be for you if you're under age 65, have reached preservation age and would like to:

- reduce your working hours without reducing your income; or
- boost your super for a comfortable retirement.

What's the pre-retirement pension strategy?

Whether working full or part-time, the pre-retirement pension strategy allows you to access your super by taking out a pension without having to retire. This is known as a pre-retirement pension.

What's the benefit of a pre-retirement pension strategy?

Lifestyle – ease into retirement

Reduce your working hours and use the pre-retirement pension to supplement your income.

Tax savings – boost your super

Continue working full-time while increasing your before-tax super contributions (within government-set limits) and use your pre-retirement pension to supplement your income. By changing how you receive your income, you can generally reduce the amount of tax you pay. Typically, this option is of greatest benefit to people aged 60 years or over on a high marginal tax rate.

How it works

Who is eligible?

To take advantage of the pre-retirement pension strategy you should:

- be under age 65
- have reached preservation age
- be working – although there are no specific requirements in terms of how many hours you need to work.

Tax implications under 60

Up to age 60, the taxable amount of your income from a pre-retirement pension is taxed at your personal income tax rate, less a 15% tax offset. Then, once you turn 60, the income you receive from your pre-retirement pension is completely tax-free.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

To apply for our pre-retirement pension

1. Read the Pension Product Disclosure Statement.

2. Fill in the **Apply for a pre-retirement pension** form.

3. Transfer at least $15,000 to start your new pension account.

You'll then receive regular pension payments to supplement your income after reducing your working hours or increasing your before-tax super contributions.

Transfer amount

Deciding how much to transfer into your pre-retirement pension account is important, as once you start your pension you can't add more money to it. If you have other super money or another pension that you'd like to transfer to your pension account, you'll need to start a new pension. You should consider:

- how much income you need
- your lifestyle needs and financial commitments
- how much super you have
- whether you're working full-time or part-time.

Pension payment amount

Your pension payment amount must be between the government set minimum and maximum limits.

Maximum payment: 10% of your account balance

Minimum payment: 2%[1] of your account balance[2]

Minimum and maximum payments are automatically recalculated for your account balance on 1 July each year or you can choose a new payment amount at any time.

[1] In response to COVID-19, the Government has extended the temporary reduction of the minimum pension drawdown rates by 50% for the 2021-22 financial year.

[2] If you commence your pension after July, the minimum payment amounts will be calculated on a pro-rata basis.

Reaching age 65

Once you reach age 65 your pre-retirement pension will convert to an account-based pension. This means you'll no longer be subject to the 10% maximum payment limit and can take out lump sums.

What if I change my mind?

You can transfer your pension back to your super account or a different pre-retirement pension product at any time, subject to meeting minimum drawdown requirements.

Doing the maths – contribute more to super and keep the same income!

Fred is 60 years old and earns $100,000 (excl. super) pa. He pays $26,497 in income tax for 2021-22, including Medicare Levy, leaving him with $73,503.

Fred can contribute up to $15,500 pa before-tax to super, in addition to the compulsory 10% contribution his employer makes for him. He decides to contribute the full amount, reducing his taxable income to $84,500.

This means he only pays $20,699 income tax, leaving him $63,801. At the same time, Fred takes out a pre-retirement pension and draws $9,702 pa from his pension to maintain his lifestyle. As Fred is over age 60, his pension payments are tax free.

Fred's new after-tax salary of $63,801 plus his $9,702 tax free pension gives him the same $73,503 take home pay per year, however this strategy has left Fred with an extra $3,473 pa in his super without changing his take home pay or lifestyle.

Please note: Amounts listed above include 15% contributions tax on before-tax contributions and exclude low and middle income tax offsets.

Pre-retirement pension facts

Before applying for a pre-retirement pension, consider how it will impact your super account balance and future retirement income. Accessing your super may also affect your eligibility for Centrelink entitlements.

You can't withdraw money

You can't withdraw lump sums until you either retire or reach age 65, unless you meet a government approved condition of release. You can find out more about these conditions of release on our **Make a withdrawal** page at mine.com.au

Future super contributions

All future super contributions will be made to your super account, not your pre-retirement pension.

Contribution limits

If you're using the pre-retirement pension to increase before-tax super contributions, you need to keep within the contribution caps. There are two types of contributions, before-tax and after-tax. Each type has different rules. To find out more, read our **How much can I add to my super account?** factsheet at mine.com.au/super-factsheets

Need more information or advice?

If you'd like to know more about the pre-retirement strategy and if it's right for you, the team at Mine Super Financial Advice is here to help. Call us on 13 64 63 Monday to Friday, 8am to 6pm or email help@mine.com.au to be put in touch with an adviser.

Mine Super | **T** 13 64 63 | **F** 02 4962 3469 | **E** help@mine.com.au | **mine.com.au**