Now's the time to look at transition to retirement strategies

If you're aged 55 or over, this 30 June could be the most financially significant event since the Simple Super changes came into effect mid-way through 2007.

What's happening?

The cap for concessionally taxed super contributions is legislated to reduce from $50,000 to $25,000 pa on 1 July for people aged 50 or over. However, the Government is discussing retaining the CC cap at $50,000 pa for people age 50 or over with less than $500,000 in super.

If you're making concessionally taxed super contributions and using a 'transition to retirement' (TTR) pension to replace your income shortfall, this change could have significant implications for you.

Should you do anything before 1 July?

In the lead up to the end of the financial year, you can discuss with us about making the most of the current CC cap of $50,000 if your cashflow allows. With retirement likely to be less than 10 years away, you only have limited opportunities to make additional concessionally taxed super contributions and maximise your tax-free income when you are no longer working.

What about after 1 July?

You may need to reduce your concessionally taxed super contributions. If you exceed the CC cap, you could end up paying excess contributions tax of 31.5%.

This may mean reducing the income payments you receive from your TTR pension. If you decrease your super contributions but continue to receive the same TTR income payments, you could end up with more income than you need, which would be taxable under age 60.

You may even need to stop your TTR pension and start a new one with a lower account balance to avoid receiving surplus taxable income.

We can review your retirement plans to make sure you maximise your opportunities, without incurring an unnecessary tax bill. **Rick Maggi**

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