

Did you know you can access an income from your superannuation before you stop working, using what's called a transition to retirement strategy?

WHAT IS A TRANSITION TO RETIREMENT STRATEGY?

A transition to retirement strategy generally involves restructuring the way you receive your income, so you can reduce your working hours or increase your super savings without affecting your day-to-day income. You can also take advantage of certain tax rules to boost your retirement income.

HOW DOES IT WORK?

If you have met your preservation age and are still working, you can access an income from your super through a transition to retirement pension. There are three ways you could use this income:

1. to subsidise a move into part-time work
2. to contribute more of your earned income to super (via a salary sacrifice arrangement), so you can boost your super balance without reducing your take home pay
3. to enable you to increase your income while continuing to work the same number of hours.

There is a minimum and maximum amount you may withdraw from a transition to retirement pension each year. Until you retire or reach age 65, the maximum income you may draw in any year is 10% of the account balance. If you are under 65, the minimum amount you must take each financial year is 4%.

WHAT ARE THE BENEFITS?

Supplement your income:

A transition to retirement pension can help you supplement your income if you want to reduce your working hours.

Boost your super savings:

By continuing to work, you will still receive employer contributions to your super, meaning your savings can keep growing. You can further boost your super savings if you salary sacrifice some of your earned income to super.

Save on tax:

The tax you'd pay when you make a salary sacrifice contribution to super is generally lower than the tax you'd pay on the same amount if you received it as salary or wages. This is because contributions made to super are generally

taxed at 15%, whereas income is taxed at your marginal rate, which can be up to 47% (including the Medicare Levy). Plus, by salary sacrificing some of your pay to super, you will also reduce your taxable income.

The income you receive from a transition to retirement pension is more favourably taxed compared to your earned income. If you are aged 60 or over, the pension income is tax free.

Investment earnings on investments funding the pension are taxed at the concessional rate of up to 15%, whereas tax on investment earnings outside super is generally higher.

Flexibility:

If you do start a transition to retirement pension but no longer need the income, you can stop the pension at any time and simply go back to accumulating your super.

THINGS TO CONSIDER

Contribution limits:

There are limits as to how much an individual can contribute to super each year. For the 2025-26 financial year, an individual can make concessional (or before-tax) contributions to super of up to \$30,000.

Concessional contributions include superannuation guarantee contributions made by your employer (including any amounts they pay towards the administration costs and insurance premiums in your account), personal contributions (for which you have claimed a tax deduction), and any voluntary salary sacrifice contributions you make. Contributions above the limit will effectively be taxed at your individual marginal tax rate plus an Excess Concessional Contributions charge.

Please read our Contribution Limits Fact Sheet for more information.

Drawing down an income:

How much income you draw down will depend on how much you need and what other sources of income you may have. As people get closer to retirement, their income needs tend to reduce and they can afford to salary sacrifice into super without having to replace the lost income. The maximum income you may draw down in any year is 10% of the account balance until you reach the age of 65.

Defined benefit members:

If you are a defined benefit member, the amount you may transfer from your existing account into a pension may be limited to the accumulation portion of your benefit, but you may have the option to transfer out of your defined benefit plan and commence a pension with your whole balance.

Centrelink benefits:

The income you receive from the pension can affect your taxation status and eligibility for Centrelink benefits. Talk to a financial adviser to understand these implications.

HOW CAN I MAKE A TRANSITION TO RETIREMENT STRATEGY WORK FOR ME?

Whether you're new to Russell Investments, or would like to stay with us when you change jobs or retire, we can help you with your pension. Transition to retirement strategies can be complex, so if you have any questions, please call us.

We can also provide you with information about our pension product, iQ Retirement, which combines:

- a contribution account for accumulating super, with
- a pension account to pay you a regular income.

To find out how iQ Retirement can help you with a Transition to Retirement strategy, call us on 1800 555 667 today.

HOW STEVE SAVED ON TAX AND ADDED NEARLY \$4,000 TO HIS SUPER SAVINGS

Steve, 60, is still working full time, earning \$70,000 plus his super guarantee contribution, and plans to retire when he is 65. With five years up his sleeve, he wants to bolster his retirement savings. While he will be limited by his concessional contributions cap of \$30,000 a year, he looks into taking out iQ Retirement so he can start a transition to retirement strategy and salary sacrifice more into his super.

Steve salary sacrifices as much of his salary as possible into his existing super account, and draws down an amount from his pension account, so that he still has the same amount of money on which to live. The maximum he may draw down is 10% of his pension account.

In one year, Steve could improve his financial position by paying less tax and having this amount invested in his iQ Retirement account. If Steve continued with this strategy for 5 years, Steve would boost his super by close to \$20,000 (plus any additional investment earnings), while keeping the same take-home pay.

	Without strategy	With strategy
INCOME POSITION		
Before-tax income amount	\$70,000	\$70,000
Less salary sacrifice	\$0	-\$21,600
Taxable income	\$70,000	\$48,400
Less tax payable (including Medicare Levy)	\$13,188	\$6,002
Add (tax free) pension amount	\$0	\$14,414
TAKE HOME PAY	\$56,812	\$56,812
SUPERANNUATION POSITION		
Employer (SG) contribution	\$8,400	\$8,400
Salary sacrifice contribution	\$0	\$21,600
Total contribution	\$8,400	\$30,000
Less contributions tax	-\$1,260	-\$4,500
Less pension payment	\$0	-\$14,414
SUPER POSITION	\$7,140	\$11,086

Same take home pay

Extra \$3,946 added to super

The illustration above is based on the tax rates and limits applying for the 2025-26 financial year (Income Tax includes the Medicare Levy; and is net of the Low Income Tax Offset. The superannuation guarantee is 12% and, for the 2025-26 financial year an individual can make a before-tax contribution to super of up to \$30,000. Example shown for illustrative purposes only.



Advice that's right for you

Good financial advice is about making the most of what you have to help achieve your goals. That's what we offer—general information, personal advice over the phone, Retire Ready meetings (often at no cost) or comprehensive personal advice (complimentary first meeting).

Find out more at russellinvestments.com.au/advice



We're here to help

If you have any questions, please contact us:

- call **1800 555 667** (Monday to Friday 8.30am to 5.30pm AEST)
- email iq@russellinvestments.com.au
- visit russellinvestments.com.au/super

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