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IN THIS ISSUE

- Getting Access To My Super
- Did You Know?
- Special Disability Trusts

Did You Know?

The Australian age pension cuts out when self funded income reaches \$36,992pa for a single person and \$75,262pa for a couple. If you wanted to receive this same level of income and not be reliant on Government payments, Financial Demographics estimates a couple would need investments of about \$1.5m to be able to generate this level of income.

Source: www.findem.com.au

Getting Access To My Super

With all the attention being given to the proposed changes to superannuation that were announced in the 2006 Federal Budget, it is important at this time that we revisit the rules that allow us to access our super benefits.

The announcement that super benefits paid from a taxed super fund to a person over 60 years of age will be tax free from 1st July 2007 is great news. However, even though we may be 60 years of age or older, we may not necessarily be able to get hold of our super as a lump sum straight away. This is because of "preservation".

Preservation is a restriction placed on withdrawing superannuation benefits. The aim of preservation is to ensure that superannuation benefits are retained in the superannuation system until retirement.

On 1st July 1999, significant changes were made to tighten up the preservation system.

There are three different categories of preservation. Benefits may be:

- **Preserved** – meaning that accumulated benefits are not generally accessible until a person retires after reaching their "preservation age";
- **Restricted non-preserved** – these benefits are not accessible until retirement, or on terminating employment with an employer who has contributed to the fund; or
- **Unrestricted non-preserved benefits** – may be accessed at any time.

Since 1st July 1999, all new contributions made to a super fund have been automatically preserved. In fact, many contributions made prior to July 1999 were also fully preserved. From 30th June 1999, all superannuation funds were required to calculate the dollar value of each member's restricted non-preserved and unrestricted non-preserved benefits.

Once calculated, these components were crystallised as fixed dollar values. Any investment earnings accruing on these components after 30th June 1999 are treated as preserved benefits.



How do I find out what my preservation components are?

The annual statement you receive from your superannuation fund each year should provide you with a range of important information including the breakdown of the preservation components of your accumulated superannuation benefit.

When can preserved benefits be accessed?

In order to withdraw a preserved benefit, a person must meet a "condition of release". Conditions of release include:

- Reaching age 65;
- Permanently retiring from the workforce after reaching "preservation age" (see below);
- Ceasing gainful employment after reaching age 60 (even though there may be an intention to rejoin the workforce); and
- Death, total and permanent disablement, in cases of severe financial hardship and on compassionate grounds.

To access benefits as a result of total and permanent disablement, financial hardship and on compassionate grounds, the Superannuation Industry (Supervision) Regulations set out the criteria to be met for preserved benefits to be released on these grounds.

Preservation age

Preservation age is currently 55 but this is set to progressively increase for people born after 30th June 1960. The preservation age for anyone born after 30th June 1964 is 60.

A new condition of release

Superannuation benefits are usually

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accessed in one of two forms. Benefits are either taken as a lump sum, as a pension or regular income stream, or as a combination of both.

In line with the Government's stated intention of encouraging people to remain in the workforce longer, a new condition of release was introduced from 1st July 2005.

A person is now able to access their preserved super benefit from preservation age (currently 55) even though they continue to be gainfully employed. The only condition attaching is that the benefit must be taken as a non-commutable income stream or pension, and not as a lump sum. By non-commutable, it means the income stream can not be converted to a lump sum (at least until another condition of release has been satisfied).



This condition of release, often referred to as "transition to retirement" is an attractive option for people reaching preservation age to allow them to cut back their working hours and supplement any shortfall in their income by commencing a non-commutable pension with their accumulated superannuation benefits. Even though a transition to retirement pension is an attractive option for people moving in to semi-retirement, you don't need to have reduced your working hours in order to access one. In fact, many people who continue to work full-time, have commenced a transition to retirement pension.

With pensions paid to people over 60 from 1st July next year becoming tax free, commencing a pension under transition to retirement becomes a serious consideration for anyone approaching or over 60 who has some accumulated superannuation savings.

In a nutshell...

Most superannuation benefits are preserved. This means we may not be able to access our benefits until we retire from the workforce or meet one of a number of other conditions of release.

However, once people reach their preservation age they may be able to access their super in the form of a transition to retirement pension.

Accessing a pension from a taxed superannuation fund from 1st July 2007 under transition to retirement, particularly if aged 60 or older, may present significant tax savings.

Source: Peter Kelly – Professional Investment Services

Special Disability Trusts

Recent changes to social security laws now allow a person to establish a Special Disability Trust and not get caught up with the "gifting" provisions that might otherwise affect their entitlement to Centrelink benefits including the age pension.

A Special Disability Trust is a trust that is established solely for succession planning by parents and immediate family members for the future care and accommodation needs of a person with severe disability.

Where parents or other family members contribute to a Special Disability Trust, a gifting concession of up to \$500,000 is allowed. That is, the parents or other family members contributing to the Trust may contribute up to \$500,000 in total and the amount contributed will not be counted under the gifting provisions, nor will it be counted under the assets and income tests for either the person making the contribution, or the person for whose benefit the Trust is established.

To qualify for this concession, stringent conditions need to be met therefore it is vitally important that anyone considering establishing a Special Disability Trust should take appropriate financial advice before doing so.

The characteristics of a Special Disability Trust include, but are not limited to:

- It must be "protective" in nature;
- It has only one principal beneficiary;
- The principal beneficiary must meet eligibility criteria;
- The Trust only provides for accommodation and care needs of the primary beneficiary;
- The Trust Deed governing the Trust must meet certain criteria; and
- The Trust must comply with investment restrictions.

The principal beneficiary of a Special Disability Trust must be suffering a "severe disability".

As mentioned above, immediate family members may contribute to a Special Disability Trust. Immediate family members include the natural parents, legal guardians, adoptive parents, step parents, grandparents and siblings of the beneficiary.

Source: Centrelink Facts – Special Disability Trusts

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- Wealth Accumulation
- Superannuation/Rollovers
- Retirement Planning
- Mortgage Elimination
- Shares and Property
- Fixed Interest and Cash
- Tax Planning
- Finance Services
- Home Mortgages
- Business Planning
- Risk Insurance
- Corporate Superannuation
- Corporate Services

Your local advisers office is located at:



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