Tips for retirement planning

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Retirement planning is vitally important. After all, when you have been working hard to get money into the super environment, and have complied with all the rules and contribution caps, you want to ensure you are maximising your opportunities when you start to draw on your super savings.

What are the changes?

- A maximum limit of $1.6 million is permitted to be transferred into retirement income stream products.
- Excessive balances can remain in super in accumulation phase
- Earnings on assets supporting transition to retirement income streams will be taxed within super

Limits on amounts that can be transferred into retirement income streams

There has been considerable talk in recent times about whether a limit should be placed on the amount that can be accumulated within super and afforded tax concessions. Rather than simply place an arbitrary ceiling on how much can be held inside super, the Government has instead targeted potentially excessive superannuation balances by limiting the amount that will be eligible for the nil tax on earnings concession.

From 1 July 2017, the maximum amount that can be placed into retirement income streams will be $1.6 million. For anyone who has started income streams and account balances exceeding that limit, there will be a requirement to roll-back (or withdraw) amounts to bring them in line with these new maximums.

The current tax free status of earnings on assets supporting superannuation income streams will only be available to the extent that the income streams are within this new limit.

Excessive balances can remain in super

It's important to note that if you are in the fortunate position to have more than $1.6 million in super, you aren't forced to withdraw the additional benefits. Amounts above the $1.6 million threshold can remain in super, but must remain in the accumulation phase. Earnings will be taxed at the standard superannuation tax rate of 15%.

Earnings on assets supporting transition to retirement income streams will be taxed within super

Despite considerable speculation, the Government has not removed the ability to commence and run transition to retirement (TTR) income streams. TTR income streams are available to you once you reach your preservation age. They allow you to access your super in the form of an income stream without the need to retire or alter your employment arrangements.

However, the Government has opted to reduce the concessions available for these income streams. From 1 July 2017, instead of earnings on assets supporting these income streams being exempt from tax within the super environment (as would apply to all other income streams within the new $1.6 million threshold), earnings will instead remain subject to the standard 15% tax rate that applies to funds in accumulation phase.

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Summary

What hasn't changed is the tax treatment of superannuation benefits received by individuals from their retirement savings. Payments received after reaching age 60 will continue to be received tax free.

To ensure you get the right advice for your situation you should consult your financial adviser.

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