

Transition to Retirement Income Streams (TRIS)

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Are Transition to Retirement Pensions Useful?

Due to changes implemented in 2017 to limit the tax benefits of a transition to retirement pension, this strategy has received less attention in recent years. However, it remains a strategy that can assist those who have reached their 'preservation age' to have access to superannuation benefits without the requirement to leave a job or fully retire.

Furthermore, a transition to retirement strategy can be used to manage ongoing cash flow, or to assist in executing extra tax-effective contributions to superannuation in the lead up to retirement.

Transition to Retirement Income Streams (TRIS)

Transition to Retirement Income Streams are also known as 'Transition to Retirement Pensions'. The implementation of a TRIS allows superannuation members who have reached their preservation age (but not retired) to begin drawing an income from super. Preservation ages are outlined within the table below. Anyone operating a TRIS will now be over age 60 – this is significant as post age 60 withdrawals taken from super are tax-free.

Date of Birth	Preservation age (years)
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

A TRIS is a form of account based pension from where lump sum payments can only be organised in certain circumstances. They are restricted to annual withdrawals of 10% of the account balance.

There is also a minimum pension percentage to meet (e.g. 4% for those under age 65). The minimum annual pension is calculated on the balance of the member's pension account at the start, or 1 July for every subsequent year.

Going back years ago, a TRIS was taxed like account based pensions in that investment earnings were taxed at 0%. Currently, a TRIS balance receives the same tax treatment on earnings as the super accumulation phase (i.e. maximum rate of 15%). Once a person meets a full condition of release (e.g. retirement or age 65) the tax rate on earnings can drop to zero (subject to lifetime limits on ordinary account based pensions).

Now, a TRIS can be used for its intended purpose – to supplement income as a person transitions into retirement – or as part of other situations. Some scenarios to highlight the various uses of a TRIS include:

- The ability to reduce working hours without reducing overall income. The reduction in employment income can be topped up with a regular super income stream.
- Assistance with repaying a home mortgage with income prior to retirement.
- Recycling income stream drawings as tax-deductible (concessional) contributions to gain a tax benefit/saving. The tax saving is derived from the 15% tax payable on concessional contributions, which can be lower than a person's marginal tax rate.
- Carry-forward contributions are useful for those who meet eligibility requirements and wish to contribute more than the standard concessional cap in one financial year. Although the ordinary concessional contributions cap is \$30,000, where carry-forward contributions from earlier years are available, a larger tax benefit/saving can be obtained.

Conclusion

Transition to Retirement pensions were intended to allow people to cut down work and supplement their income from a superannuation income stream. Individuals may also employ a Transition to Retirement Pension for other financial benefits where cash flow and savings are otherwise restricted. Any opportunities should be weighed against the overall retirement picture so feel free contact your adviser if you wish to discuss.

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