Transition to retirement pension

A transition to retirement pension (TRP) gives you the option to access super as a regular income payment while you continue to work full-time or part-time. It gives you greater flexibility in organising your work, personal life and income arrangements. It may also be a tax-effective way to continue building your super at the same time. You don't have to retire to have this type of pension.

Key features

- You need to reach your preservation age (*see page 4*).
- You can structure your pension income, working hours and super arrangements to suit your individual needs.
- You can draw a minimum of 4% and up to a maximum of 10% of your TRP account balance as income (*see page 4*).
- If you are over 60, pension income is tax free.
- You can choose how your account is invested.
- Your investment earnings are taxed at a concessional tax rate of up to 15%.
- It's non-commutable, so generally you can't make lump sum withdrawals.
- You cannot add additional funds into an already opened TRP account.

Combine your work, super and income needs

A transition to retirement pension (TRP) offers several ways to combine your work, super and income needs. Here are some examples.

More super, same income

Salary sacrificing some of your pay into super can be a tax-effective way to save and a TRP will help to replace some or all your 'lost' income.

Less hours, same income

Cut back your working hours and use your TRP income to make up for your reduced pay.

Same hours, more income

Use the additional income from your TRP to cover extras such as home renovations or an overseas holiday.

Save more in super

A transition to retirement pension (TRP) account offers you the opportunity to put more money into super, with same take-home income and pay less tax.

Example:

Member A has just turned 60 with an annual salary of $100,000 and is looking to boost superannuation balance without reducing take-home income. Current superannuation balance is $300,000.

Through a TRP, Member A can grow super balance by making full use of the concessional contributions cap of $30,000. Member A can make additional salary sacrifice contributions, and draw a tax-free pension income of $11,560. This results in Member A enjoying the same take-home pay of $77,212 in a year.

Cash flow

	No TRP ($)	With TRP ($)
Salary	100,000	100,000
Less salary sacrifice	0	17,000
Assessable income	100,000	83,000
Less income tax and Medicare levy*	22,788	17,734
Net income	77,212	65,652
plus Tax-free pension income*	0	**11,560**
Take-home income	**77,212**	**77,212**

*4% minimum payment rate of TRP account balance. Medicare levy is assumed at 2%.

Grow super balance and save on tax

	No TRP ($)	With TRP ($)
Super Guarantee (*currently 11.5%*)	11,500	11,500
Salary sacrifice	0	17,000
Less tax on contribution	1,725	4,275
Net contributions	9,775	**24,225**
Total tax paid	24,513	21,623

Total super balance after 12 months^

	Super ($)	TRP ($)
Opening balance	11,000	289,000
Net contribution / withdrawals	24,225	-11,560
Closing balance	35,225	277,440

^Zero investment returns, fees and costs are assumed.

Same income
Work less hours

A transition to retirement pension (TRP) account offers you the flexibility to enjoy the same income while reducing work hours.

Example:

Member B has just turned 62 and has negotiated a part-time contract with their current employer. Their annual salary will drop from $85,000 to $63,750. Current superannuation balance is $375,000. With a TRP, tax-free pension income can be used to supplement employment income with no impact on take-home pay.

Cash flow

	No TRP ($)	With TRP ($)
Salary	85,000	63,750
Less income tax and Medicare levy*	17,988	11,188
Net income	67,012	52,562
plus Tax-free pension income*	0	**14,450**
Take-home income	**67,012**	**67,012**

*4% minimum payment rate of TRP account balance. Medicare levy is assumed at 2%. Low Income Tax Offset (LITO) has been excluded.

Total super balance after 12 months^

	Super ($)	TRP ($)
Opening balance	13,750	361,250
Net contribution / withdrawals	6,232	-14,450
Closing balance	19,982	346,800

^Zero investment returns, fees and cost are assumed.

Same hours
More income

A TRP can allow you to access additional income to cover lifestyle expenditure like reducing existing debt, supporting family members, or going on a holiday.

Example:

Member C will turn 60 soon and is interested in accessing super savings to pay down the remaining balance of $80,000 on their home loan. Current salary is $120,000 per annum and has $350,000 in their smartMonday account. The member's goal is to keep on working full-time and draw down an amount to gradually repay their home loan completely before age 65.

The below example indicates Member C will transfer $200,000 from super to open a TRP account at age 60 (preservation age) and draw 10% from TRP account each year.

Cash flow in the first year

	No TRP ($)	With TRP ($)
Salary	120,000	120,000
Less income tax and Medicare levy*	29,188	29,188
Net income	90,812	90,812
plus, Tax-free pension income*	0	**20,000**
Take-home income	**90,812**	**110,812**

*10% maximum payment rate of TRP account balance. Medicare levy is assumed at 2%.

Total super balance after 5 years ^

	Super ($)	TRP ($)	Total ($)
Opening balance	150,000	200,000	350,000
Net contribution / withdrawals^	60,690	-81,902	-21,212
Closing balance	210,690	118,098	328,788

^Zero investment returns, fees and cost and a same salary amount are assumed. SG rate increasing from 11.5% to 12% from 1 July 2025. Linear withdrawal at 10% of TRP account balance.

How it works

How old do I have to be?

A TRP is available once you reach your preservation age.

When you were born	Preservation age
Pre-July 1964	Reached required age
1/7/1964 or after	60

How much do I need to start a TRP pension account?

A minimum initial investment of $20,000 is required to open a TRP in smartMonday PENSION and transfer funds from your current superannuation accumulation account(s).

Can I withdraw lump sums from my TRP?

TRPs are non-commutable, which means that they generally cannot be cashed out or have lump sums withdrawn.

When you reach age 65 or you notify us that you satisfy a ‘condition of release’ such as permanent retirement or leaving employment after age 60, we will convert your TRP to a retirement pension which will allow you to withdraw lump sums.

How are TRP income payments taxed?

If you’re age 60 or over, pension payments from a super fund are tax-free and you don’t have to include them in your tax return.

How are TRP investment earnings taxed?

Investment earnings on assets in a TRP are taxed at up to 15%.

What are the income payment frequency options?

Income can be arranged to pay monthly, quarterly, half-yearly or yearly.

What are the minimum and maximum payment / withdrawal limits?

The Government sets minimum and maximum limits for income you can receive from a TRP each year. To assist retirees, the Government has temporarily reduced the minimum annual payment required for account-based pensions. The table below shows the minimum payment rates for the financial year commencing 1 July 2024**.**

Age	Minimum payment rate (%)
Under 65	4
65 - 74	5
75 -79	6
80 - 84	7
85 – 89	9
90 - 94	11
95+	14

The maximum payment / withdrawal is limited to 10% of the TRP account balance.

You can choose to receive any income amount within the annual minimum and maximum payment limits applicable to your age.

Factors to consider

You'll need to consider a list of factors before deciding if a TRP is right for you.
For example:

- Set your priorities on the hours you want to work, the income you want to receive, or whether you want to boost the amount of super you have for retirement.
- When considering your income, think about how much income you'll need at this stage of life, and what other sources of income you have.
- Salary sacrificing into super—consider how it might benefit or affect your financial and lifestyle situation.
- Leave an adequate amount of funds in your super to keep the insurance cover (if any) active and above minimum account balance requirement.
- Like any investment, there are risks of investing in super including the risk that the value of investments and level of returns will vary or that you may lose some of your money. Future returns may differ from past returns. These risks are relevant to any super investment including an investment through smartMonday PENSION.
- The impact that early draw downs (pre-retirement age) on your superannuation may have on your future retirement income.
- How a pension could affect your social entitlements security (e.g. the Age Pension).
- If you are a member of a defined benefit superannuation scheme, you should be aware of any special conditions. A TRP arrangement may not be available. Speak to a smartCoach for more information.
- Getting financial planning advice up front and reviewing your financial situation every year. You can speak to a smartCoach on **1300 262 241** or email **smartcoach@smartmonday.com.au**.

Need help?

- smartMonday can provide limited personal advice regarding transition to retirement, pension options and the impact of 'Age Pension' benefits via its smartCoach service for an additional fee paid directly by the member.
- Contact the smartCoach team on 1300 262 241 or email smartcoach@smartmonday.com.au
- For comprehensive advice you may wish to engage the services of a financial adviser. Additional fees may be payable to the adviser for services they provide to you. You can arrange to pay your financial adviser for advice about superannuation via a deduction from your smartMonday account. You can negotiate the amount of the fee with the adviser and they will provide you with a document (such as a Statement of Advice) detailing the services provided and the fee charged for those services.

