

Types of Pensions

- Allocated Pension
- **Non-Commutable** Allocated Pension
- **Term** Allocated Pension

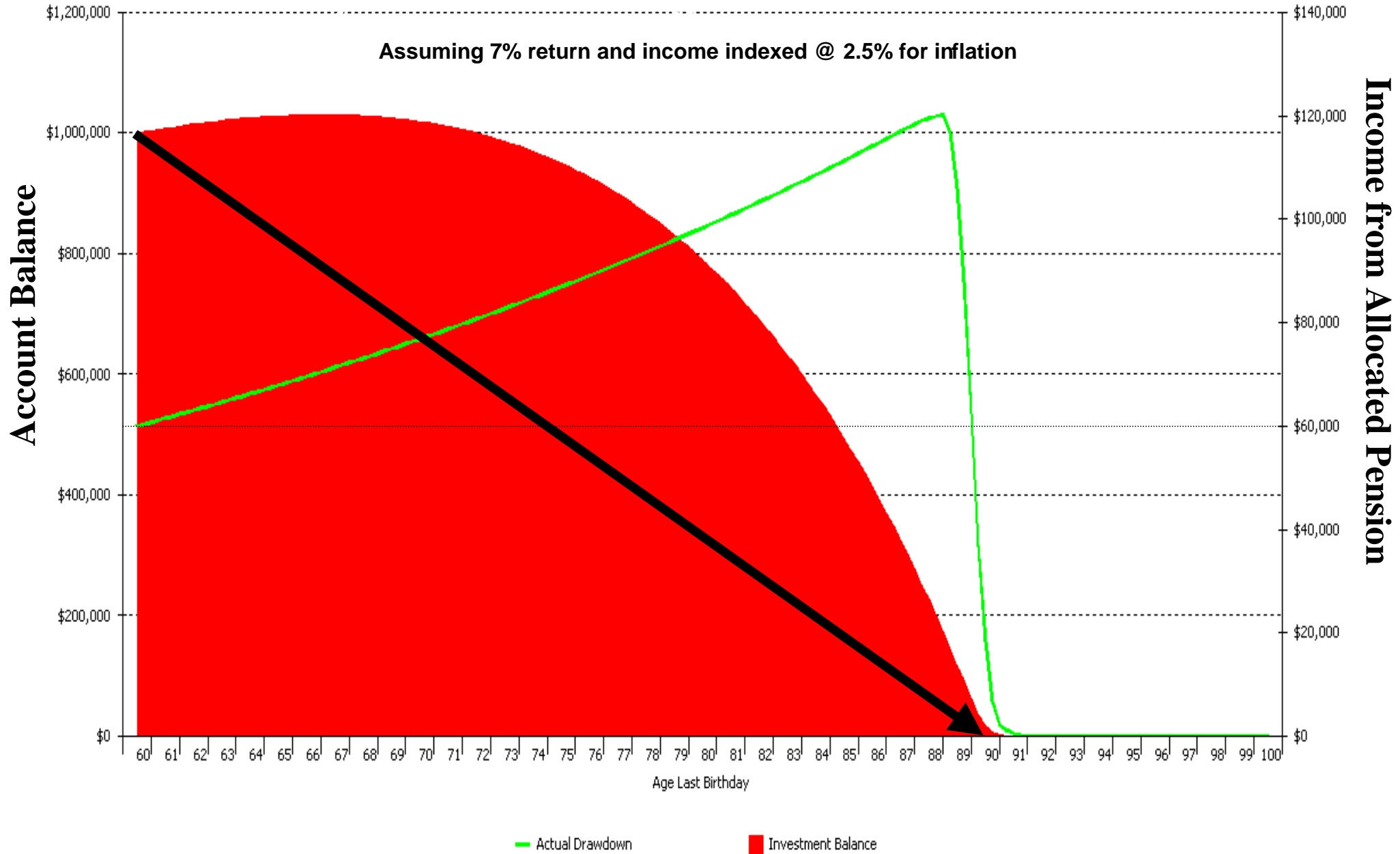
A P

N C A P

T A P



Allocated Pension Projections



Case Study – Noel

- Aged 61 and still working
- Salary \$65,000
- Living expenses \$25,000
- \$300,000 in shares with debt of \$200,000
- Owns home \$500,000
- Superannuation of \$290,000 in two funds
- Other assets for Centrelink - \$15,000
- Age Pension Age = 65



Case Study – Noel

NO SALARY PACKAGING	Noel
Salary	\$65,000
Add income from investments	\$7,500
Less tax deductible interest on loan	-\$15,000
Taxable Income	\$57,500
Less Tax + Medicare*	-\$12,712
Less Living Expenses	-\$25,000
Surplus	\$19,788
SALARY PACKAGING	
Salary	\$65,000
Add income from investments	\$7,500
Less tax deductible interest on loan	-\$15,000
Less Salary Packaging to super#	-\$29,500
Taxable Income [^]	\$28,000
Less Tax + Medicare*	-\$2,970
Less Living Expenses	-\$25,000
Surplus	\$30

*Tax Rates 2007/2008 announced in Budget 8th May 2007
including medicare levy

Not including imputation credits or other offsets



15% Superannuation Tax Applies

[^]Target \$28,000, for maximum Government
Co-Contribution



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Case Study – Noel

- Noel is a member of the  superannuation fund, with a balance of approximately \$215,000. Noel has \$185,000 in the defined benefit fund and \$30,000 in the accumulation plan
- \$75,000 in another super fund
- Noel takes our advice and borrows \$170,000 against his home to purchase a TAP before 20/9/2007
- Will now has $\$170,000 + \$290,000 = \$460,000$ in superannuation
- Noel converts all of his  defined benefit fund into the accumulation plan (now \$215,000 in the accumulation plan) to start a NCAP
- Noel starts a TAP with \$245,000

Case Study – Noel

	Before Pensions
Salary	\$65,000
Investment Income	\$7,500
NCAP (TAX FREE) ^	Nil
TAP (TAX FREE) !	Nil
TOTAL INCOME	\$72,500
Less Superannuation (Salary Packaging)	\$0
Less tax deductible loan repayments	-\$15,000
Less non tax deductible loan repayments	\$0
Taxable Income	\$57,500
Less Income tax*	-\$12,712
Less Living Expenses	-\$25,000
SURPLUS	\$19,788

*Tax Rates 2007/2008 announced in Budget 8th May 2007 including medicare levy
 Not including imputation credits or other offsets
 # 15% Superannuation Tax Applies

^ Maximum pension is 10% of a/c balance
 ! The term determines the pension payment.
 This can be adjusted by + or - 10%



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Case Study – Noel

	Before Pensions	After Pensions
Salary	\$65,000	\$65,000
Investment Income	\$7,500	\$7,500
NCAP (TAX FREE) ^	Nil	\$21,500
TAP (TAX FREE) !	Nil	\$18,250
TOTAL INCOME	\$72,500	\$110,251
Less Superannuation (Salary Packaging)	\$0	-\$29,500
Less tax deductible loan repayments	-\$15,000	-\$15,000
Less non tax deductible loan repayments	\$0	-\$14,154
Taxable Income	\$57,500	\$28,000
Less Income tax*	-\$12,712	-\$2,970
Less Living Expenses	-\$25,000	-\$25,000
SURPLUS	\$19,788	\$23,627

*Tax Rates 2007/2008 announced in Budget 8th May 2007 including medicare levy
 Not including imputation credits or other offsets
 # 15% Superannuation Tax Applies

^ Maximum pension is 10% of a/c balance
 ! The term determines the pension payment.
 This can be adjusted by + or - 10%



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Case Study – Noel

What if, Noel starts a TAP now?

What if, Noel does not start a TAP now?

What about Centrelink Age Pension entitlements at age 65?



At Age 65 (Age Pension Age)	No TAP	With TAP
Projected Total Assets	\$676,500	\$676,500
Projected Centrelink Assessable Assets	\$676,500	\$554,000
Projected Asset Limit for Part Age Pension	\$580,200	\$580,200
Over/Under Asset Test Limit	OVER	UNDER
Age Pension Payable Under the Asset Test	NIL	\$900*

* By being entitled to a part age pension you are also entitled to various concessions for pharmaceuticals, household rates, telephone, utilities, dental, hearing, home care, optical, taxi fares, drivers licence, public transport, rail concessions, etc.



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Term Allocated Pensions – Practical Issues

- From the 20th September 2007, you will not get 50% Asset test exemption from Centrelink anymore
- Consider a TAP if you are older than 58
- Does your superannuation fund allow you to start a TAP?
 - A lot of superannuation funds do not. E.g:  
 - Consider rolling over your superannuation into a fund that does allow a TAP
 - Consider getting a short term loan to start a TAP
- You can only ever get a pension income from a TAP. i.e: No lump sums
 - Rule of thumb. Only put about 50% of your funds into a TAP
- A combination of a TAP and an AP, provides the best result most of the time



Non-Commutable Allocated Pensions – Practical Issues

- Consider a NCAP if you are 55 or older and still working
- Does your superannuation fund allow you to start a NCAP?
 - Some superannuation funds do not
 - Consider rolling over your superannuation into a fund that does allow a NCAP
 - Consider getting a short term loan to start a NCAP
- Issues with converting defined benefit funds to accumulation plans
- Consider salary packaging more of your taxable salary once you start a NCAP
- A combination of a TAP and an AP, provides the best result most of the time



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