Entrust

Transition to Retirement Income Streams (TRIS)

January 2025

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.

Copyright and Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Hartleys Limited (ACN 104 195 057) ("Euroz Hartleys") only. Euroz Hartleys is the holder of an Australian Financial Services Licence (AFSL 230052) issued by the Australian Securities and Investments Commission ("ASIC") and is a participant of the Australian Securities Exchange Group ("ASX Group").

The information contained herein is confidential and may be legally privileged. If you are not the intended recipient no confidentiality is lost nor privilege waived by your receipt of it. Please delete and destroy all copies, and contact Euroz Hartleys on (+618) 9268 2888. You should not use, copy, disclose or distribute this information without the express written authority of Euroz Hartleys.

Disclosures & Disclaimers

Euroz Hartleys and its associates declare that they deal in securities as part of their securities business and consequently may have a relevant interest in the securities recommended herein (if any). This may include providing equity capital market services to their issuing company, hold a position in the securities, acting as principal or agent, or make a market therein and as such may effect transactions not consistent with the recommendation (if any) in this report.

Euroz Hartleys declares that it may have acted as an underwriter, arranger, co-arranger or advisor in equity capital raisings, and will have received a fee for its services, for any company mentioned within this report during the last 12 months.

Euroz Hartleys Limited advises that any advice, statement of opinion, or recommendation contained in this document is provided by way of unsolicited general information only and has been prepared without taking account of your investment objectives, financial situation or particular needs.

You should not act on any recommendation issued by Euroz Hartleys without first consulting your investment advisor in order to ascertain whether the recommendation (if any) is appropriate, having regard to your investment objectives, financial situation and particular needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz Hartleys believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it.

The opinions expressed are subject to change without notice. No member of Euroz Hartleys accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material. We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.

EUROZ HARTLEYS

info@eurozhartleys.com
+61 8 9268 2888
www.eurozhartleys.com

Euroz Hartleys Limited
ACN 104 195 057
AFSL 230052