



\*Investment Advice/Wealth Creation  
\*Pension Counselling  
\*Risk Insurance \*Residential Loans  
\*Superannuation

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Welcome to our 4<sup>th</sup> edition of the SBA Financial newsletter.

In this edition we want to explore the value of financial planning and investment in preparation for retirement.

### UK PENSIONS

SBA Financial also provides services in relation to transferring UK Pensions into Australian Super funds.

There are fantastic tax advantages for UK ex-patriots who want to move their super into an Australian Super Fund. Please contact our office if your friends require this service.

### REVIEWS!

**Please call us if you have not yet had your annual review!**

**Model Share Portfolio and its performance – 21.7% p.a.\* over 4 years! (12 stocks)**

\* Lonsec Investment Insight 2005

This has been well resourced by an experience investment team.

What we are doing differently!

- Using an in depth analysis team of 5 people involved in the process! (Lonsec)
- Monitoring of shares and
- Making buy/sell recommendations as advised by Lonsec
- Shares can be bought with ordinary monies and superannuation

### ACT NOW!!

**Are you paying too much for your loans?  
Please compare new rates with Macquarie Bank!**



Macquarie Saver Express

- 6.69% for loans >\$300,000
- For self employed, contractor or small business borrowers, available for owner occupied and investment purposes.
- A co-borrower may be PAYG.
- Option to split loan into fixed and variable
- Can be split up to two sub-accounts for tax effective planning.

Macquarie Executive Choice (Line of Credit)

- 6.8% \$250,000 - \$499,000
- 6.7% \$500,000 - \$999,999
- For purchase of owner occupied, investment property, refinancing or any other worthwhile purpose
- Can be split into 2 accounts for tax effective planning
- Unlimited sub-accounts
- Comes with cash card, deposit book, cheque book and optional Macquarie Gold AMEX card

**Macquarie Cash Management Trust (Savings Account)**

- 4.65% - "\$0" deposit – opening through SBA Financial (Normally \$5,000)
- We can have a BSB number for you within seconds; then an application must be completed and forwarded to Macquarie.
- You then receive a welcome letter.
- Deposit Book (can be made also through National Australia Bank or Post Office)
- Passwords and Access Codes will be provided for Internet banking.

## \*Very Important: For clients between ages 55-65 years of age

### Accessing Super in the Transition to Retirement

There are 2 Main Strategic Opportunities:

1. Reducing work hours and supplementing reduced business or personal income with pension income; and
2. Maintaining current work status, accessing pension income and salary sacrificing salaried income back to super

#### **Case Study**

- John, aged 55, is married to Yoko, aged 53
- John's earns \$100K. He has \$700,000 in super (\$100K Undeducted contributions, remainder pre/post - \$100K Unrestricted Non-preserved)
- John also has \$50K in a Cash Management Trust
- Yoko earns \$35K p.a., \$250,000 in super – all preserved and 100% post June 1983 component
- John and Yoko both plan to retire at age 65
- Want to increase their retirement savings but maintain current net income levels
- What strategy can you recommend?

#### **ACCESSING SUPER ON TRANSITION TO RETIREMENT & SALARY SACRIFICE**

Case Study: Increase Super and reduce Taxable Income

- John's financial adviser recommends that from July 1 2005 he commence a fully rebatable non-commutable allocated pension with a preserved \$600K pre/post amount
- Leaves \$100K undeducted contributions in super as unrestricted non-preserved
- Draws max pension income in 1<sup>st</sup> year of \$62,500 and able to salary sacrifice \$79,500 back to super to maintain net income of nearly \$68K (\$67,950)
- Splits deductible contributions with Yoko from July 1 2006

#### **The results after 10 years**

- Due to the transition to retirement strategy at age 65 John will have \$94,520 more in super than if he had not implemented strategy
- \$312,037 in residual Non-commutable Allocated Pensions, \$985,359 in super
- By splitting 60% of previous year's deductible contribution to Yoko, John's super amount reduces to \$540,140 and Yoko's super increases from \$428,816 to \$874,036
- They have maintained if not drawn more in net income each year!
- What now?

- o Do RBL calculation for access to pension RBL for John
- o Implement dual spouse re-contribution strategies.

#### **The taxation benefits of the strategy**

- By salary sacrificing tax is at contribution rate of 15%
- No surcharge from 1 July 2005
- No tax on earnings on the non-commutable pension
- Entitled on the 15% pension and annuity tax offset if over 55 years old and benefit is non-excessive

#### **Other benefits/issues**

- John's Reasonable Benefits Limit minimised through splitting contributions
- Capital requirement considerations will determine Non-commutable Income Streams used

#### **Transition to Retirement – Tips**

- Where maintaining current net income, you must adjust salary sacrifice arrangement each year
- Consider commencing Non-commutable income streams with only preserved benefits. Leave Unrestricted Non-preserved and Restricted Non-preserved amounts in super so they can be accessed to satisfy capital requirement
- Consider not using Undeducted contributions or re-contribution strategy for Non-commutable Income Streams and maintaining for when commencing pension at age 65+

For more information on this topic, please call our office.