



Retirement Pearls of Wisdom

Wealth for Women
from ANZ Financial Planning



Women's wealth

Women are extraordinary.

For the past few decades women have been able to earn increasingly higher salaries, start and run more companies as well as influence more buying decisions than ever before.

But while nearly 100% of women are confident about managing their day to day finances, many don't feel confident in investing or protecting their income or assets.*

At ANZ, we are committed to educating and helping women of all ages achieve their financial goals. We understand when you're busy it can be difficult to find the time to learn how to grow your wealth. We also understand many women wish there was someone they could speak to who could help share the load, someone who can explain things in a way that is interesting and relevant.

This is where an ANZ Financial Planner can add value. They can help make sense of wealth management and investing because they understand more than finance.

To help you along, ANZ Financial Planning has developed this 'Pearls of Wisdom' brochure information series just for you called **Wealth for Women**. This brochure on retirement is just one in the series – take a look at the others on investing, superannuation, insurance and estate planning too.

You can also check out our **Wealth for Women** site on anz.com to see and hear from others who have seen an ANZ Financial Planner. Take the time now to be better off.

Live the life you've dreamed.

Henry David Thoreau



Retirement

You've worked all your life and now is the time to retire and enjoy doing things you want to do. However, you still need to have a regular income to help you pay for bills and cater for your spending patterns.

To live comfortably, the ideal amount to retire with is approximately \$500,000,¹ depending on your own personal needs and objectives. However the average retirement payouts are around \$155,000 for men and \$73,000 for women ²—much less than the ideal.

Hopefully, you would have invested in your superannuation during your working years and made contributions to your account to boost your retirement income as much as possible (see Superannuation Pearls of Wisdom brochure). And thankfully, there are strategies and new social security rules to help you take advantage of your retirement income.

When you reach retirement age, there are two ways you can access your retirement income. You can either take it as an income stream or as a lump sum, or a combination of both.

Account-based pension

The most flexible type of income stream is an account-based pension. It is a tax-effective investment that invests eligible superannuation savings to pay you a regular income stream until your account balance is exhausted. How long it lasts will depend on how much you withdraw each year and what investment earnings you receive.

Age Pension changes

Centrelink determines eligibility for the Age Pension by applying an income and assets test. Entitlement to the Age Pension can be lost by failing either test. From 20 September 2007, a more generous asset test applies. The rate at which the Age Pension starts to decrease was halved to \$1.50 per \$1,000 of excess assets (formerly \$3.00 per \$1,000 of excess assets).

As at 20 September 2008, a homeowner will not be entitled to the Age Pension where total Centrelink assessable assets are at least:

	From 20 September to December 2008
Single homeowner	\$555,500
Couple homeowner	\$873,500

Income streams

An income stream provides a regular source of money used to fund a person's retirement. It's an investment that allows you to receive regular income payments when you retire and will enable you to manage your ongoing income and lifestyle.

¹Association of Superannuation Funds in Australia (ASFA)

²Australian Bureau of Statistics Survey of Income and Housing

Case study

Meet Mary

Mary is 63 years of age and single. She owns her own home and given her level of assets, she never thought she would be entitled to the Age Pension, but under the new income test, Mary qualifies for an Age Pension.

Her assets are:

Superannuation pension (asset tested)	\$400,000
Personal effects	\$ 20,000
Car	\$ 10,000
Cash at bank	\$ 30,000
Total	\$ 460,000

What do the Age Pension changes mean for Mary?

Prior to the more generous asset test changes applied from 20 September 2007, entitlement to the Age Pension would have ceased where total Centrelink assessable assets for a single homeowner were at least \$351,000. As Mary's total Centrelink assessable assets are \$460,000, she would have failed the assets test and not qualified for an Age Pension.

After 20 September 2007, Centrelink assessable assets have to exceed \$535,250 before losing entitlement to the Age Pension. This means Mary is now entitled to an Age Pension of approximately \$112.73 per fortnight (\$2,930.85 p.a.). Mary can also take advantage of additional concessions provided to holders of the Pensioner Concession Card, this card is automatically issued to pensioners.

This change means a larger number of Australians could be eligible for Government pension payments and those currently on a part pension could see their entitlement rise.





Transition to Retirement

On 1 July 2005, the Australian Government introduced new superannuation rules to allow working Australians aged 55 and over more options in transitioning from work to retirement. If you have reached your preservation age (55 if you were born before 1 July 1960), subject to the rules of your fund, you can draw on your superannuation without having to retire permanently from the workforce. This strategy is called Transition to Retirement (TTR).

Under these rules, if you're aged 55 and over, you may be able to restructure your total income to put more of your before-tax salary into super. At the same time you can then take some of your super out to replace some of this lost income.

The end result is you can help your super grow whilst taking home the same after-tax income. It works because of the concessional tax rates available in your super. When you include the potential interest compounding on these extra contributions, it can really add up fast.

TTR strategies

Here are some ways to use the TTR initiative to your advantage:

1. Maintain your current lifestyle and spend fewer hours at work

You can now reduce your work hours and supplement the reduced salary by drawing from your 'accumulated super benefit' through a TTR income stream.

2. Continue to work the same hours and boost your retirement savings

Sometimes, you can combine a TTR income stream and salary sacrifice to increase your retirement savings.

3. Continue to work the same hours and reduce your debts

You could also use this strategy to increase your current after-tax income. You may like to use the extra money to help reduce your debts. Or simply enjoy more money in your pocket now.

Every day brings new choices.

Martha Beck

Case study – ease into retirement

Meet Janet

Janet is 58 years of age and is a store manager earning \$35,000 p.a. (\$30,425 after tax). She has a superannuation account balance of \$240,000 and plans to fully retire from the workforce at age 65.

Janet is looking to reduce her work hours so she can help care for her newborn grandchild when her daughter returns to work. Janet hopes to continue working 3 days a week.

Janet also puts \$40 a fortnight into her superannuation account from her after-tax income. This qualifies her for a Government co-contribution of approximately \$1,200 p.a. Janet is keen to maintain this arrangement, however she is concerned about meeting her living expenses if she reduces her working hours.

The strategy

By commencing a Transition to Retirement pension, Janet can still receive the same take-home income as when she worked full-time – even after reducing her work hours.

The TTR strategy supplements Janet's reduced salary of \$21,000 with a pension payment amount of \$10,854 p.a., so she can still maintain the same take-home income of \$30,425.

And that's not all. The strategy will also result in Janet qualifying for the maximum \$1,500 Government co-contribution. This represents approximately a \$300 increase on her current entitlement.

It is important to be aware drawing down superannuation benefits to supplement income can result in less superannuation in retirement. This is something Janet must consider when deciding to reduce her work hours.

Notes: Janet's superannuation account balance of \$240,000 is comprised of a 70% taxable component and 30% tax-free component. She is also entitled to the low income tax offset and the mature age workers tax offset.

Good advice adds up

The importance of obtaining good financial advice can't be overlooked. From helping you formulate realistic goals and objectives to effective tax planning, it is a valuable part of creating wealth. A financial planner is one of the key sources of financial advice. They offer personal advice based on what you want out of life and help you implement strategies to make it happen.



Case study – boost your retirement savings

Meet Anne

Anne is 55 years of age and an advertising manager earning \$90,000 p.a. She enjoys her job and has no immediate plans to reduce her working hours. She does, however, feel age 65 would be a good time to retire from the workforce to make the most out of her retirement.

Anne has a superannuation account balance of \$325,000 invested in a balanced option that has historically earned 7% p.a. Anne has heard about the new superannuation rules and is interested in finding out how she can benefit from the changes.

The strategy

Anne's financial planner suggests she consider establishing a Transition to Retirement (TTR) pension. This will mean Anne may need to salary sacrifice a significant portion of her pre-tax salary into her superannuation account. Anne is initially concerned because she does not want to change her lifestyle and receive a lower take-home income.

Her financial planner explains by implementing a TTR pension, Anne can supplement her income from her retirement savings while sacrificing a portion of her income into her superannuation.

Anne currently receives \$65,550 in after-tax income. If Anne salary sacrifices \$35,000 p.a., she will still receive \$55,000 p.a. in income

from her employer. Anne can then supplement her reduced income with pension payments of \$27,313 p.a. from a TTR pension using her existing superannuation savings. This will mean after tax, Anne will still receive \$65,550.

Anne is happy she will receive the same income and continue to live the lifestyle she enjoys, but wants to know how this will benefit her retirement savings. Her financial planner explains in the first year, her net salary sacrifice superannuation contributions of \$29,750 exceed her TTR pension payments of \$27,313. This means in the first year alone, Anne's retirement savings are boosted by an additional \$2,437.

And it gets better. When Anne turns 60, the payments from her TTR pension are tax free. This means she can reduce her pension payment amount and boost her retirement savings further.

For example, if Anne was 60, she could still receive the same after-tax income of \$65,500 by drawing pension payments of \$22,075 and her retirement savings would be boosted by \$7,675.

Notes: Anne's superannuation account balance of \$325,000 is all taxable and fully preserved. Superannuation Guarantee is assumed unchanged at 9% of the original earnings base, no taxation deductions have been claimed. Qualifying private hospital cover is in place.



Taxation issues

Your retirement has never looked better. From 1 July 2007, the taxation implications of accessing your superannuation upon retirement significantly improved. Once your superannuation benefits become accessible, you can either take lump-sum payments or commence a retirement income stream.

In many cases, once you attain age 60, you will not pay any tax on these lump-sum superannuation withdrawals or superannuation pension payments.

If you are accessing your superannuation before age 60, you may have to pay tax.



Would you like more information?

Ask a financial planner about the taxation implications of retrieving and accessing your superannuation. An ANZ Financial Planner will be able to offer advice about which retirement income stream or strategy is most suitable for your needs and circumstances.

Why you should see an ANZ Financial Planner

We have financial planners to suit you

At ANZ, we have over 400 professionally qualified male and female financial planners ranging from 28 to 55 years.

So we can find the right planner for you. Someone you can relate to and build a long term, trusting relationship with.

It's easy to get started

It's never too early to start planning your financial future. Your first appointment with an ANZ Financial Planner is no obligation.

In your first meeting, your planner will talk to you about YOU. Your current lifestyle, your goals and the life you want to live. From here your planner can arrange a step by step plan to get you there – and you decide how quickly or not you want to start implementing.

You know you can trust an ANZ Financial Planner

There are many benefits of seeing a professional financial planner from one of Australia's most established banks.

All ANZ Financial Planners are strictly regulated by the Australian Securities Investment Commission (ASIC), and what's more ANZ Financial Planning are principal members of the Australian Financial Planning Association (FPA).

For more information on the comprehensive code of ethics and legislation which our planners have to abide by, see the Head of the FPA Joanne Bloch's presentation on www.anzdigitaltv.com

At ANZ, all our planners are salaried employees of the bank

At ANZ, you can choose the way ANZ Financial Planning is remunerated. It can either be a fee for advice or a commission based structure. The choice is yours.

ING Joint Venture

The partnership between ANZ and ING brings together the complementary strengths of both companies for the benefit of ANZ customers.

ING Australia Limited is a joint venture between the ING Group, which owns 51% and ANZ, which owns 49%:

- ING Australia is one of Australia's largest fund managers and life insurers.
- ING Australia manages assets exceeding \$48 billion.
- ING Group manages more than €635 billion.

Through ANZ Financial Planners, you can access a range of products provided by a world-class wealth manager.

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Be better off

To see how ANZ Financial Planning changed the lives of ANZ customers, go to www.anzdigitaltv.com and watch some real life stories.

To find out how an ANZ Financial Planner can help you be better off, come into your local ANZ branch, call 1800 641 593 or visit www.anz.com/wealth-for-women to make an appointment today.

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