



## The key to paying less tax in retirement

If you're over 60, you've probably been looking forward to getting your hands on your super for a long time but there is a good reason to consider rolling it into a pension when you retire rather than taking a lump sum in cash. As tempting as cash may be, the tax-effectiveness of an account-based pension is compelling. And you're free to make lump-sum withdrawals from your pension account at any time.

### Pay no tax on your earnings

Within a pension account, earnings are entirely tax free. This means:

- no tax on income (dividends, distributions or interest)
- no tax on any capital gains.

By comparison, if you withdraw your super and invest it elsewhere – regardless of whether it is in a bank account, a term deposit, or another investment account, you will pay tax on both income and capital gains for the life of the investment.

To illustrate the difference that this could make, it's worth considering a simple example.

### Case study

Julie is 60 years old and has \$300,000 in super. Julie plans to withdraw \$30,000 per year (indexed at 3.5 per cent) and is counting on her investments generating a 7 per cent return (3 per cent income and 4 per cent capital gain).

Julie can achieve this by rolling her super into a pension account, or she could withdraw her money from super and invest it elsewhere. The underlying assets are exactly the same, the only difference is whether or not they're held in a pension account.

### Assets held in pension account

	Year 1	Year 2	Year 3	Year 4	Year 5
Balance	300,000	291,000	280,320	267,806	253,291
Earnings	21,000	20,370	19,622	18,746	17,730
Pension payment	30,000	31,050	32,137	33,262	34,426
<b>End balance</b>	<b>291,000</b>	<b>280,320</b>	<b>267,806</b>	<b>253,291</b>	<b>236,595</b>

### Assets held outside pension

	Year 1	Year 2	Year 3	Year 4	Year 5
Balance	300,000	287,220	272,656	256,170	237,613
Earnings	21,000	20,105	19,086	17,932	16,633
<b>Taxation on income</b>	<b>2,835</b>	<b>2,714</b>	<b>2,577</b>	<b>2,421</b>	<b>2,245</b>
<b>Taxation on capital gain</b>	<b>945</b>	<b>905</b>	<b>859</b>	<b>807</b>	<b>748</b>
Pension payment	30,000	31,050	32,137	33,262	34,426
<b>End balance</b>	<b>287,220</b>	<b>272,656</b>	<b>256,170</b>	<b>237,613</b>	<b>216,826</b>

### Net benefit after five years

**19,769**

After just five years, Julie would be nearly \$20,000 better off by choosing to roll her super into a pension account.

## Direct investments

If you hold direct investments, like shares, in your super account, transferring your assets to pension is even more beneficial. By transferring to pension, you won't pay tax on any capital gains they have accumulated. Depending on how long you've owned your shares, this could represent a significant saving.

Imagine you used your MAP Super account to buy \$10,000 of BHP shares in early 2003. You would have paid around \$9 per share. In 2010, BHP traded at around \$40, which means you made a capital gain of around \$34,000. If you sold those shares to cash out of super, you would pay \$3,400 in capital gains tax. If instead, you transferred them to your pension account, you can sell them tax-free at any time.

## Pension flexibility

Transferring your super assets to a pension account doesn't prevent you from making lump-sum withdrawals. There are no longer any pension payment maximums which means that you're free to withdraw as much as you want, whenever you want.

## The benefits of MAP Super

MAP Super offers an account-based pension which is designed to work seamlessly with your super account and make it easy to take advantage of the tax benefits available.

### Simple transfers

We make transferring from super to pension easy. You can retain your assets and investment strategies. All you need to do is fill in a pension application form and we'll take care of the rest. You'll pay no capital gains tax on direct assets you transfer and all future income from your investments will be tax free.

### Extensive investment choice

MAP Super offers more than 400 investment choices including

- multi-manager and single-manager managed funds
- all shares listed on the S&P/ASX 300
- a range of term deposit options if capital preservation is your primary objective.

Once you've transferred to pension, changing the assets you hold can be done simply and tax-effectively.

### Flexible payments

In addition to being able to make a lump-sum withdrawal at any time, you can choose to have a pension paid to you monthly, quarterly, half-yearly or yearly. You can change the amount or frequency at any time and we'll write to you every July to confirm your arrangements for the year ahead.

### Online access

It's important to keep on top of what's happening in your account which is why we provide you with easy online access to your account. Not only can you check your account details and recent transactions, you can now buy and sell shares and managed funds, change your cash flow strategy and update your personal details online.

If you're approaching, or have already reached, 60 years of age, you should seriously consider the benefits of transferring your superannuation savings into an account-based pension.

If you have any questions regarding your super or how to transfer to an account-based pension, please speak to your financial adviser or call our customer service team on **1800 009 921**.

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