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A tax effective way to retire at age 60 or over

Did you know 60% of our retirement income (on average) is generated after we retire? So the choices we make when we reach retirement age can have a substantial impact on our comfort level in our later years.

You may want to use your super to start an account based pension, rather than take a cash lump sum.

What are the benefits?

By using this strategy, you could:

- receive unlimited tax-free income payments, and
- possibly reduce the tax payable on your non-super investments.

How does the strategy work?

If you receive your super as a lump sum at age 60 or over, unlike people under age 60, you won't be liable for lump sum tax on your benefit.[1]

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However, when you invest the proceeds outside super, the maximum tax-free income you could receive ranges from $20,542[2] to $32,279[3] pa (see table to the right).

Conversely, if you use your super to start an account based pension, no tax will be payable on earnings within the fund.

You could also receive a higher tax-free income in the current and future financial years (as the table below shows). This is particularly true if your super benefit is quite large and/or you will receive income from other sources (such as from non-super investments).

To find out whether this strategy suits your needs and circumstances, you should speak to a financial adviser or registered tax agent.

Tips and traps

- Before starting an account based pension, you may want to invest non-super money in super.
- There may be some estate planning advantages if you receive some of your super as a lump sum and recontribute the amount into super as a personal after-tax contribution prior to starting the account based pension.

Maximum taxable income that can be received tax-free (pa)

Age	From investments held outside super	From account based pensions
60 – Age pension age[4]	$20,542[2]	• Unlimited tax-free[1] income payments • You don't have to include the income payments in your annual tax return (which could reduce the tax payable on your non-super investments)
Age pension age[4] and over		
• singles	$32,279[3]	As above
• per member of couple	$28,974[3]	As above

1 Assumes the lump sum withdrawal is made from a taxed super fund. **Taxed super fund** – a super fund that pays tax on contributions or earnings in accordance with the standard superannuation tax provisions.

2 This figure applies in 2014/15 and takes into account the low income tax offset. **Low income tax offset** – a tax offset of $445 is available if your taxable income is $37,000 pa or less. The tax offset is reduced by 15 cents for each dollar of taxable income above $37,000 pa, and cuts out at $66,667 pa.

3 These figures apply in 2014/15 and take into account the low income tax offset (above) and Seniors and Pensioners tax offset. **Senior and Pensioners tax offset** – This offset is available if you're over Age or Service Pension Age. The maximum tax offset is reduced by 12.5 cents for each dollar of taxable income exceeding the relevant shade-out threshold (see below).

	Singles*	Couples (each)*
Maximum offset	$2,230	$1,602
Shade-out threshold	$32,279	$28,974
Upper threshold	$50,119	$41,790

* These figures apply in 2014/15.

4 The age at which you become eligible for the age pension.

2015 financial year in review

By John Owen, Portfolio Specialist, MLC

Despite a range of economic and market 'challenges' during the year, markets have delivered good returns, especially for global shares and Australian listed property investors.

Central bank policy helped drive markets (again)

Central bank policy stimulus remained an important influence and source of support for asset prices around the world. Several central banks, including the Bank of Japan and the European Central Bank, were forced to implement or upscale their own versions of quantitative easing (QE) in response to weakness in their respective economies.

In contrast, widespread signs of economic recovery enabled the US Federal Reserve (the Fed) to taper and eventually conclude its own massive QE program in October 2014. Market concerns over the impact of QE withdrawal have been replaced by uncertainty about when the Fed will begin to raise interest rates, which is widely expected to be in the second half of the 2015 calendar year.

Interest rates are providing added stimulus

Interest rates remain at or near historic lows, providing on-going stimulus and much needed support to the global economy. In Australia, below-trend economic growth, higher unemployment and low inflation prompted the Reserve Bank of Australia (RBA) to reduce interest rates on two occasions. China has been responding to weaker than expected economic growth in a similar way with the People's Bank of China cutting interest rates and implementing bank lending reforms.

In contrast to the increased monetary accommodation trend in much of the world, the Fed has flagged for some time that it will consider raising interest rates, probably in the second half of the current calendar year.

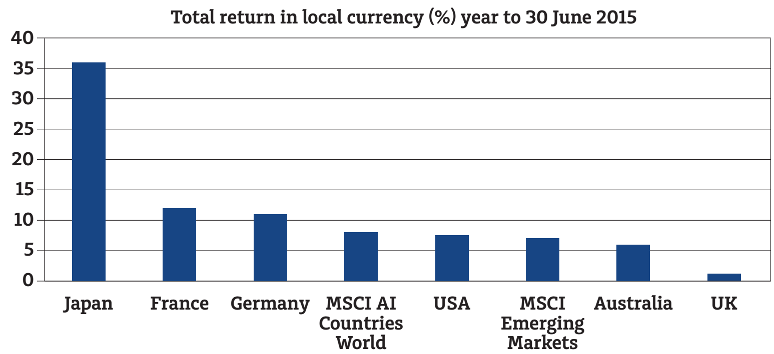
Another strong year for global share markets

Global shares delivered their third consecutive financial year of double-digit returns. The performance of emerging share markets also recovered despite a challenging year economically for many nations.

Chart 1 shows the performance of the major world share markets in local currency terms for the year to June 2015. Most of the major developed markets recorded positive returns. Japan's share market was the stand-out performer this year with the Nikkei Index reaching an 18 year high. Investors have responded positively to the yen's weakness which is expected to assist the Japanese economy and exporters. European markets also benefitted from similar weakness in the euro and there are signs that the eurozone's economic prospects are improving, albeit slowly. However, developments in Greece late in the year create risk for the potential recovery.

Economic and financial conditions in some key emerging economies have been more challenging. Most notably, growth in China has slowed significantly while commodity based economies like Brazil also struggled.

Chart 1: Japan's share market was the standout performer over the financial year†



Australia's economy has needed a 'helping hand'

Australia's economy continued to grow but at a pace that the RBA described as below trend. It is clear the economy is experiencing conditions that are far from normal with numerous signs the transition from the 'mining boom' is proving to be a complex and lengthy one. Unfortunately, weak capital spending and business investment by the non-mining sector means there has been little or no offset to the significant decline in mining sector investment. Australia's terms of trade has weakened as prices for our key mining exports (especially iron ore) are lower. In contrast, housing construction enjoyed strong growth while consumer spending, despite low wage growth, also improved.

Faced with economic growth (and inflation) on the weaker side of expectations, the RBA reduced the cash rate on two occasions in the second half of the financial year. While the beneficial impact of these (and possibly other rate cuts ahead) will take time to emerge, lower rates have clearly contributed to the sharp rise in dwelling prices in some of Australia's major cities.

Source: †Factset Past performance is not indicative of future performance.

The investor's guide to separately managed accounts (SMAs)

Would investing in an SMA make sense for you? Discover the structure and potential benefits of this managed investment scheme in our latest investor guide.

What is an SMA?

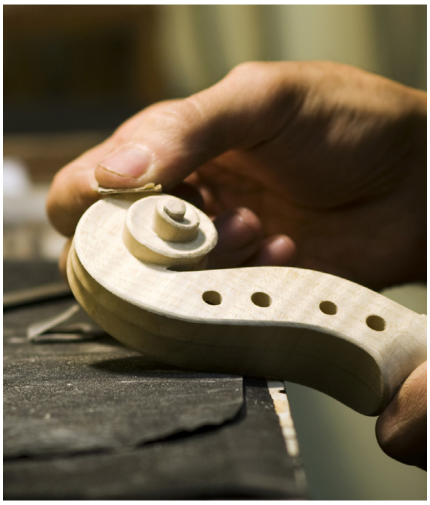
The SMA is a registered managed investment scheme that allows you to access a number of professionally constructed and managed investment portfolios (model portfolios) comprising Australian listed shares and cash in which beneficial ownership is retained by you (or the trustee in the case of a superannuation investment).

The SMA can only be accessed via an eligible platform (for both investment and superannuation).

Key benefits of an SMA

Some of the benefits of investing in an SMA include:

- **individual accounts**
  Unlike a unitised managed fund in which investors collectively have an interest in the pool of fund assets, the SMA investor has absolute beneficial ownership in the assets held in their account.
- **transparency**
  The SMA allows you to view the underlying shares you hold within your chosen model portfolio.
- **portability**
  If you already own Australian shares that are also included as part of a model portfolio, you can transfer them into the SMA and still retain beneficial ownership. You are able to transfer (in specie) shares out of the SMA into your platform account as well as transfer shares between model portfolios within the SMA.
- **no inherited capital gains**
  An individual cost base is established for you on the day the shares are bought in the SMA and this relates solely to the price of the underlying shares purchased for you at the time of your investment. There are no tax consequences for you as a result of other investors' transactions.
- **professional investment management**
  The SMA provides you with access to leading experienced professional investment managers who ensure each model portfolio is continually monitored and managed, and
- **lower management costs** than most managed funds.



Important Note:

This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial and tax and/or legal advice prior to acting on this information. Before acquiring a financial product a person should obtain a Product Disclosure Statement (PDS) relating to that product and consider the contents of the PDS before making a decision about whether to acquire the product. Past performance is not a reliable guide to future returns as future returns may differ from and be more or less volatile than past returns. The material contained in this document is based on information received in good faith from sources within the market, and on our understanding of legislation and Government press releases at the date of publication, which are believed to be reliable and accurate. Opinions constitute our judgement at the time of issue and are subject to change. Neither, Totally Integrated Financial Planning Pty Ltd, their employees or directors give any warranty of accuracy, nor accept any responsibility for errors or omissions in this document.