

### noel whittaker

Noel Whittaker, the financial adviser, is part of this site. Take the time to read his thoughts below about new legislation and contact him if you need more advice through his web site. Noel runs regular seminars to help with financial planning so contact him if you need assistance. [noelwhit@gil.com.au](mailto:noelwhit@gil.com.au)

He wants to help baby boomers plan for their futures just as I do. I am very grateful to him. It is our wish that all Boomers are given a fair go in the future.

#### **FINANCIAL ADVISE**

Noel Whittaker's advise to Boomers about new government legislation which will apply to you.

The new, improved, "simpler" superannuation system is much better than the old one, but the rules regarding access to you money are still tricky. Yes, RBLs will be going and yes, you will be able to make tax-free withdrawals once you reach age 60; however you will still need to attain the ripe old age of 65 before you can enjoy unrestricted access.

Superannuation has long been a superb vehicle for saving tax, but governments do not hand out unlimited largesse without extracting a price. You can now accumulate as much money as you wish in the low tax superannuation environment, but the price is loss of access to it until you reach "preservation age". For people aged 32 or more at 1 July 1992 the preservation age is 55 but it is being slowly increased with the aim of having all benefits preserved until age 60 by the year 2025.

Under the present rules, and the proposed ones, you can access your superannuation as a lump sum once you reach 55 if you "retire". Retirement however, is a state of mind, so it is possible for people to retire at 55, draw part of their superannuation and then, a few months later, return to the workforce because they are sick of doing nothing. You can access your superannuation at age 60 if you retire from any job – it needn't be your main job. At age 65, access is automatic and this is not going to change.

Last year the access rules were relaxed so that anybody who wanted to continue working in the same job after age 55 was able to take part of their superannuation as an income stream. This income stream was called a transition to retirement pension and was similar to a normal allocated pension except it was non commutable. That's a fancy term that means you can't make lump sum withdrawals from it.

These pensions have become extremely popular and many older workers are now boosting their retirement nest egg by salary sacrificing a large portion of their salary to super and using the transition to retirement pension to fund any shortfall in their living expenses. This strategy will become even more popular when RBLs are abolished.

The new rules will enable you to make tax-free withdrawals from your super once you reach 60, but unless you resign from a job you will not be able to make these lump sum withdrawals until you turn 65. This shouldn't cause too many problems for those between 60 and 65 who want to continue working, because for them the income from the transition to retirement pension will be tax-free after 1 July 2007.

The issue of early access to super is often raised, but the government has deliberately made it difficult to gain access to super before preservation age. A person who wants early access to their superannuation must satisfy the trustee of their superannuation fund that they are suffering severe financial hardship. It is a requirement that they have been in receipt of a Commonwealth income support payment for at least 26 continuous weeks and are also unable to meet reasonable and immediate family living expenses. The maximum lump sum that can be paid in this way is \$10,000. There is a less rigorous test for those aged 55 or over. They must have been in receipt of a Commonwealth income support payment for at least 39 weeks after reaching age 55 and not be gainfully employed on a full time or part time basis.