Grow your retirement income

In retirement, every dollar counts. It’s worth exploring different strategies to grow your retirement income. Here we outline some factors that could be worth considering.

Use your super wisely

If you’re about to retire or are in retirement, it can be tempting to take your superannuation as a lump sum payment. However, this means taking money out of a tax-friendly environment and potentially placing it in investments that could attract tax at higher rates.

An alternative is to use your super savings to purchase a retirement income stream called an ‘account-based pension’ or allocated pension. The earnings of account-based pensions, with the exception of transition-to-retirement pensions, are tax-free and you enjoy a regular source of cash in much the same way a salary is paid.

Example

Simon, 61, has recently retired after building up a $750,000 balance in superannuation, with no other savings or assets.

If he decides to withdraw the full balance and invest the amount in his personal name, any income earned may attract personal income tax.

If he decides to start an account-based pension, no tax is paid by the account for any income earned and no tax is paid on pension payments he draws as he is over 60.

Assuming that the earnings after fees is 4% for both options and that he draws $30,000 from his account-based pension, the following is a comparison of his income after tax in the financial year:

	Personal	Account based pension
Income (4% income return)	$30,000	$30,000
Tax	$2,142^	–
Net income	$27,858	$30,000

^Based on 2019/20 financial year income tax rates and thresholds

Review your super investment mix

If you choose to leave your super savings in the superannuation environment, it's important to review the way your super is invested at least annually. It can be tempting to switch all your super to low risk investments. However, without some exposure to higher risk 'growth' assets like shares and/or property, your super savings might not benefit from potential capital growth.

Consider age pension entitlements

Depending on your assets and income, you may be entitled to receive a full or part-payment of the age pension. Even a small part-payment could see you entitled to a range of concessions including discounts on council rates and other benefits.

Example

Cassandra, 66, has recently moved from full-time to part-time, working 3 days a week, and earning $45,000. She owns her home, has an account-based pension valued at $380,000 and home contents and a motor vehicle valued at a total of $10,000.

She has lived in Australia all of her life, but thought that she would not be able to receive any Age Pension because she was still earning more than half of her full-time salary.

If she applied for the Age Pension, she would actually receive approximately $100 per fortnight. Centrelink will not count part of her employment income ($300 per fortnight) when assessing whether she can receive a pension.

In addition to this, she would also hold a Pensioner Concession Card which may provide her with discounted or rebated public transport, energy, water, and council rate costs.

Think about using home equity

If you are a home owner, your family home could be your most valuable asset – worth more than even your superannuation. Your home equity can provide a potential source of funds in retirement and you may not have to sell up or move in order to benefit from that equity.

Your financial adviser can discuss possible options to access home equity in retirement.

To learn more about how you can grow your retirement income, speak to your financial adviser.

For more information

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