

The transition into retirement

Retirement has traditionally been a big leap for Australians. But the ‘one minute you’re working, the next you’re lying in the sun’ scenario is becoming less common.

Nowadays, there are a wide range of choices for people who are considering what to do in their later years. Some people in today’s work force may prefer to retire gradually, slowly reducing their work hours over time. Others may have no intention of retiring at all. And some, upon finally retiring, may decide that they want to return to the work force.

NCAPs offer a simple transition to retirement

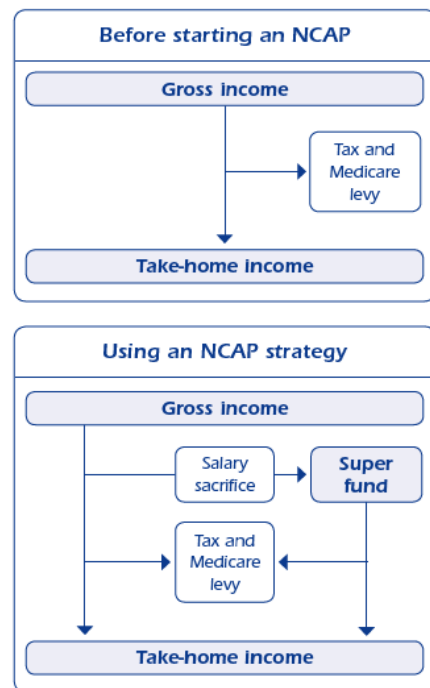
Non-commutable allocated pensions (NCAPs) are designed to help older Australians make a simpler transition to retirement by allowing them to access their preserved superannuation benefits without having to retire. So people who have reached their preservation age (see table) can draw a regular income and top up their salary when moving into part-time employment. Importantly, there is no work test for an NCAP and the option to gradually reduce one’s work hours (or not) is left up to the individual.

Preservation Age	
If your date of birth is:	The your preservation age is:
Before July 1960	55
Between July 1960 – June 1961	56
Between July 1961 – June 1962	57
Between July 1962 – June 1963	58
Between July 1963 – June 1964	59
After June 1964	60

NCAPs: key features

- ⌘ Can only be started once you reach preservation age
- ⌘ Purchased with superannuation money
- ⌘ No work test
- ⌘ Same taxation and RBL treatment as allocated pensions
- ⌘ Commutations (ie lump sum withdrawals) not generally allowed

How does an NCAP work?



How can an NCAP work for you?

As NCAPs are not subject to a work test, two strategies have emerged:

- ⌘ easing into retirement – gradually reducing your working hours, while supplementing your income using an NCAP or
- ⌘ salary sacrificing to provide a super boost and potential tax benefits – continuing to work full-time while salary sacrificing a portion of your income into superannuation and replacing it using an NCAP.

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