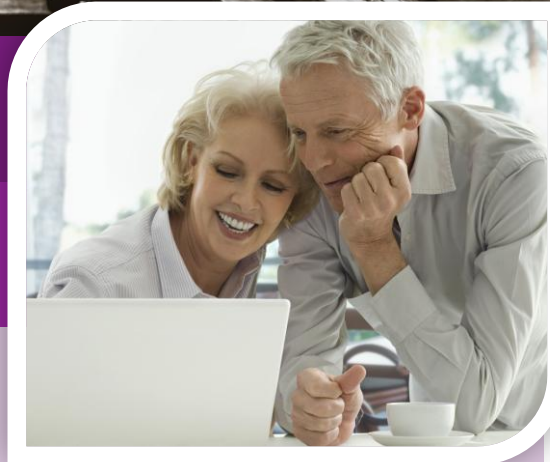




Building Wealth for Retirement using a Transition to Retirement Income Stream Strategy

Description

Use a Transition to Retirement Income Stream (TRIS) strategy to create wealth in preparation for retirement.



CASE STUDY – JACK & MARGARET

- Jack, 55 years old, income \$70,000
- Melissa, 55 years old, income \$50,000
- Mortgage \$100,000
- Combined Superannuation Balance \$300,000

GOAL

Jack and Margaret wish to retire in 12 years on a combined annual income of \$60,000pa in today's dollars.

ANALYSIS

It was determined that the estimated future value of \$60,000 in 12 years time would be \$85,545 based on inflation of 3%.

The assets required to produce an \$85,545 income (with a 6%pa return), would be \$1,425,750. Based on Jack and Margaret's current superannuation balance, the anticipated shortfall to achieve this goal would be \$447,634 assuming the following:

- Their superannuation balance will grow to \$978,116 (assuming capital and income growth of 9%pa)
- Mortgage repayments are currently \$1,030.50 per month, with a mortgage term of 12 years
- They have no surplus cash flow

STRATEGY

Use a TRIS Strategy coupled with an investment property to pay down their mortgage debt and provide a comfortable retirement.

- Jack and Melissa need to roll over their combined superannuation balance into a Self Managed Superannuation Fund (SMSF)
- A Property Investment Analysis of a property valued at \$500,000 with a 7% capital and income growth showed that a cash flow of \$18,000pa was required to fund the investment. This does not take into account any personal tax refund attached to the investment
- A TRIS payment from their superannuation fund of \$18,000pa is then commenced.
- All personal tax refunds provided from the investment property would then be paid into their residential mortgage. This coupled with their existing payments would result in paying out their mortgage in 4 ½ years
- Once the mortgage is paid off the tax refund will be salary sacrificed into their SMSF to fund their retirement

OUTCOME

In 12 years, Jack and Margaret's net assets will equal \$1,516,508.97, allowing them to retire comfortably on an income of \$60,000pa. They have also paid off their mortgage 4 ½ years earlier.