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This fact sheet provides an overview of the key features and benefits of a transition to retirement strategy. Case study examples have been included to help you understand how a transition to retirement strategy could work for you.

What is a transition to retirement strategy?

Transition to retirement is a strategy that allows you to access your super as an income stream while you're still working. You might choose to reduce your work hours because the income you receive from your super benefits could help to make up for any loss of salary.

To be eligible for transition to retirement from your GESB Super account, you must have reached your Commonwealth preservation age.¹

Your super benefit must be used to start a regular pension which does not allow lump-sum cash withdrawals. This is known as a non-commutable income stream.

Our Retirement Income Pension can be set up as a non-commutable income stream and is a great option for commencing a transition to retirement strategy.

Features of a transition to retirement strategy

With transition to retirement you can:

- Access your super once you reach your preservation age¹
- Start a transition to retirement with part or all of your GESB Super benefit and start a non-commutable income stream with our Retirement Income Pension
- Choose to receive between the minimum of 4% and a maximum of 10% of your pension account balance each financial year, as at the start of the financial year
- Change the amount of pension you receive each year, subject to minimum and maximum limits set by the Australian Government
- Continue to work and have your contributions paid into your GESB Super account
- Change your super account structure if your personal circumstances change

The benefits of transition to retirement

There are a number of ways you can use transition to retirement to benefit you:

- Increase your income – you'll be receiving an income stream from a pension as well as your normal salary
- Increase your super – you'll continue to work and can sacrifice some of your salary to super
- Reduce your hours – you can work less without reducing your overall income, as your pension can make up for your lower salary

You can use a combination of these options to suit your needs and you have the flexibility to change your strategy as your circumstances change.

This is a complex area and we recommend that you see a financial adviser, accountant or tax adviser to help you decide if transition to retirement is right for you.

Meet John

John is 60. He has an annual salary of \$85,000, and has a GESB Super benefit of \$346,600. John decides to transfer all but \$1,000 of his GESB Super benefit to our Retirement Income Pension, and open a Transition to Retirement Pension – a non-commutable income stream.

No tax will apply on the transfer because GESB Super is a taxed scheme.

See the case studies overleaf to see the different ways John can implement his transition to retirement strategy.

Please note: all examples and scenarios used in this document are for illustrative purposes only. The figures in the calculations are for the 2026/27 financial year.

¹ Your Commonwealth preservation age is dependent on your date of birth. As of 1 July 2024, if you are aged 60 or older, you have reached your Commonwealth preservation age. For more information on your preservation age, read our *Accessing your super brochure*, available at gesb.wa.gov.au/brochures.

Scenario 1 John could increase his income

In this scenario, John doesn't change his employment arrangements and continues to work full-time. He decides to transfer all but \$1,000 of his GESB Super benefit into a Transition to Retirement Pension (\$345,600) and receive the maximum annual income (10%).

| | Full-time without Transition to Retirement Pension income | Full-time with Transition to Retirement Pension income |
|-----------------------------------------|-----------------------------------------------------------|--------------------------------------------------------|
| Employer salary | \$85,000 | \$85,000 |
| Salary sacrifice | - | - |
| Employer salary after salary sacrifice | \$85,000 | \$85,000 |
| Transition to Retirement Pension income | - | \$34,560 ¹ |
| Taxable income | \$85,000 | \$85,000 |
| Tax ² | \$17,720 | \$17,720 |
| Net income | \$67,280 | \$101,840 ³ |

On his transfer of \$345,600, the maximum Transition to Retirement Pension annual income payment John can receive is 10%. In the first year John will receive \$34,560. As John is 60 years old, the income stream he receives from his Transition to Retirement Pension is tax free.

By not changing his employment arrangements, John has increased his net annual income by \$34,560 in the first year. Although John's pension account balance is reduced by 10%, contributions can continue to be paid into his GESB Super account which will start building his super again.

Scenario 2 John could increase his super

John decides to transfer all but \$1,000 of his GESB Super benefit into a Transition to Retirement Pension (\$345,600) and selects an annual income payment of 5%.

John also arranges with his employer to make salary sacrifice contributions, so that his employer's Superannuation Guarantee (SG) contributions and his salary sacrifice contributions equal his concessional contributions cap. Selecting a pension payment of 5% ensures John takes home a net income which is at least as high as his previous net income, while salary sacrificing up to his concessional contributions cap maximises his retirement benefit. As John is 60 years old, the income stream he receives from his Transition to Retirement Pension is tax free.

| | Full-time without Transition to Retirement Pension income | Full-time with Transition to Retirement Pension income |
|-----------------------------------------|-----------------------------------------------------------|--------------------------------------------------------|
| Employer salary | \$85,000 | \$85,000 |
| Salary sacrifice | - | \$22,300 ⁴ |
| Employer salary after salary sacrifice | \$85,000 | \$62,700 |
| Transition to Retirement Pension income | - | \$17,280 ¹ |
| Taxable income | \$85,000 | \$62,700 |
| Tax ³ | \$17,720 | \$10,525 ⁵ |
| Net income | \$67,280 | \$69,455 ⁶ |

1 As John is aged 60, his income from an allocated pension is tax free.

2 The figures are for the 2026/27 financial year (including the 2% Medicare Levy).

3 Calculated as taxable income less tax (i.e. \$85,000 - \$17,720 = \$67,280), plus Transition to Retirement Pension income (\$34,560).

4 Salary packaged into GESB Super. GESB Super is a taxed scheme and concessional contributions are generally taxed at 15%.

The concessional contributions cap is set at \$32,500 for the 2026/27 financial year. We have assumed John has no unused concessional contributions cap carry forward amounts available, and that John's employer has made SG contributions at the standard rate of 12% for the 2026/27 financial year (to a total of \$10,200 for the year). By subtracting his employer contributions of \$10,200 from the concessional contributions cap of \$32,500, John will be able to salary sacrifice \$22,300 into his super (\$32,500 - \$10,200 = \$22,300).

5 Includes the low-income tax offset of \$590.

6 Calculated as taxable income less tax (i.e. \$62,700 - \$10,525 = \$52,175), plus Transition to Retirement Pension income (\$17,280).

John continues to work full-time. The general concessional contributions cap that applies in 2026/27 is \$32,500.¹ The SG is 12% or \$10,200.² He can salary sacrifice \$22,300 into his GESB Super account ($\$32,500 - \$10,200 = \$22,300$), reducing his taxable income to \$62,700.

John's total concessional contributions into his GESB Super account for the year are \$32,500, which includes the salary sacrifice of \$22,300 and the 12% SG contributions of \$10,200. If John exceeds his cap, then he may have to pay additional tax (see the *Important considerations section* on page 4).

By not changing his employment arrangements and salary sacrificing to his GESB Super account, he has contributed an additional \$22,300 into his GESB Super account on top of the 12% SG contributions, while reducing his pension account by \$17,280. He has also increased his net annual income by \$2,175 in the first year.

Please note there is a contributions tax for very high income earners (see the *Important considerations section* on page 4 for more information).

For more information on salary sacrifice, read the *Salary sacrifice, GESB Super fact sheet*, available at gesb.wa.gov.au/factsheets.

Scenario 3 John could reduce his working hours

John decides to work part-time and to transfer all but \$1,000 of his GESB Super benefit into a Transition to Retirement Pension and receive the maximum income (10%) from his pension. This option allows John to reduce his working hours by half but still increase his net annual income.

| | Full-time without Transition to Retirement Pension income | Part-time with Transition to Retirement Pension income |
|-----------------------------------------|-----------------------------------------------------------|--------------------------------------------------------|
| Employer salary | \$85,000 | \$42,500 |
| Salary sacrifice | - | - |
| Employer salary after salary sacrifice | \$85,000 | \$42,500 |
| Transition to Retirement Pension income | - | \$34,560 ³ |
| Taxable income | \$85,000 | \$42,500 |
| Tax ⁴ | \$17,720 | \$4,045 ⁵ |
| Net income | \$67,280 | \$73,015 |

The maximum annual income payment is 10%. Therefore, for the first year John will receive \$34,560. As he is 60 years old, the income stream he receives from his Transition to Retirement Pension is tax free.

By reducing his working hours by half and receiving \$34,560 from his Transition to Retirement Pension (which is not assessable income for tax purposes as he is aged 60), John has increased his net income by \$5,735 for the first year.

However, his pension account balance will be decreasing by 10% due to the income payments. In this scenario, he has not increased his contribution levels to his super account by salary sacrificing. However, John's employer can still continue to contribute to his GESB Super account, which will start building his super again. The total amount of his SG contributions will be less due to the reduced salary.

1 The general concessional contributions cap is \$32,500 for the 2026/27 financial year, indexed annually in line with Average Weekly Ordinary Time Earnings in increments of \$2,500 rounded down. We have assumed John has no unused concessional contributions cap carry forward amounts available which would allow him to make additional concessional contributions above this cap.

2 As of 1 January 2020, salary sacrificing will not affect the amount an employer must contribute into your super. The current SG rate is 12%, which means John's employer will contribute \$10,200 into his super account. As this rate increases in future, John may need to reduce his salary sacrifice to avoid exceeding his concessional contributions cap.

3 As John is aged 60, his income from an allocated pension is tax free.

4 The figures are for the 2026/27 financial year (including the 2% Medicare Levy).

5 Includes a low-income tax offset of \$450.

Important considerations

There are a number of factors that you should consider before deciding to use a transition to retirement strategy. Some parts of transition to retirement are complex to understand, so we recommend that you see a financial adviser, accountant or tax adviser to help you decide if transition to retirement – including any of the scenarios in this fact sheet – is right for you.

You should consider:

- Fees apply for a Transition to Retirement Pension. For more information, read the *Retirement Income Pension product information booklet*, available at gesb.wa.gov.au/brochures
- You can start a transition to retirement with part or all of your GESB Super benefit. If you have more than one super account, please contact us to find out what your options are
- Tax of up to 15% applies to investment earnings in a transition to retirement account
- Generally, the transfer balance cap doesn't apply to transition to retirement income streams. For more information, visit the Australian Taxation Office's website at ato.gov.au
- The tax treatment of your transition to retirement income depends on your age
- When comparing options, you need to consider the impact on your retirement benefit. Using your benefit to pay a regular income stream may reduce the amount you have when you retire
- The general concessional contributions cap is \$32,500 for the 2026/27 financial year.¹ You may be entitled to contribute more than this cap and make additional concessional contributions for any unused amounts carried forward
- If you exceed your cap, excess concessional contributions are included in your assessable income and taxed at your marginal tax rate. You will be entitled to a non-refundable tax offset of the 15% contributions tax paid by GESB Super. The extra tax charged to you will also be subject to an interest charge. You can choose to have up to 85% of your excess concessional contributions refunded from super. For more information, read the *Tax and super brochure*, available at gesb.wa.gov.au/brochures
- The concessional tax treatment of certain super contributions has been reduced for very high income earners, under Division 293 of the tax legislation. An individual's income is added to certain super contributions (referred to as low-tax contributions) and compared to the high-income threshold of \$250,000. Tax is payable on any excess low-tax contributions if the combined income and low-tax contributions exceed the \$250,000 threshold. There are special rules for defined benefit interests, constitutionally-protected State higher level office holders, certain Commonwealth justices and temporary residents who depart Australia. For more information, read the *Tax and super brochure*, available at gesb.wa.gov.au/brochures

Next steps

Here are some steps to get you started.

- Step 1** Attend a *Transition to retirement seminar* to learn more about how to use and set up a transition to retirement strategy. Visit gesb.wa.gov.au/seminars to register.
- Step 2** Consider a Retirement Options Services (ROS) appointment. ROS is a 60-minute, one-on-one meeting with one of our experienced consultants, who knows and understands our unique schemes. You can choose to have your meeting in-person or virtually. They will provide you with factual information on GESB products, and explain the options you have for your retirement. The 60 minutes will include time to document a summary of your appointment that you can take away with you. However, ROS is not a holistic financial planning advice service, in that it is limited to information on GESB products. A fee applies for this service. For more information, please visit gesb.wa.gov.au/ros or call your Member Services Centre on 13 43 72. Please note, ROS doesn't provide you with personal financial advice.
- Step 3** Discuss your transition to retirement options with your employer, especially if you are considering changing your working arrangements.
- Step 4** For more information or a benefit estimate, contact your Member Services Centre on 13 43 72.
- Step 5** Read the *Retirement Income Pension product information booklet*, available at gesb.wa.gov.au/brochures, and complete the application form. Return the form to us along with all other required information.

¹ Indexed annually in line with Average Weekly Ordinary Time Earnings in increments of \$2,500, rounded down.

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