

TAX TALKS

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When moving a TRIS to retirement phase, does it matter when you notify the trustee? Does it matter when you make the minimum pension payments?

TRIS to Retirement Phase

The short answer is yes. Try to make the minimum pension payment before the TRIS moves into retirement phase. You will find our interview with Meg Heffron in the audio file above. Meg will explain all this much better than we ever could. Here are just some notes from the interview.

Turning 65

A member's TRIS automatically moves into retirement phase on the day they turn 65. There is no action required. It just happens.

If they make the minimum pension payment before their 65th birthday, then they don't need to touch their TRIS again in that financial year. And hence maximise their ECPI.

Before 65

But a member can also move a TRIS into retirement before they turn 65, if they have met a condition of release and notify the trustee. But when should a member make this notification to the trustee?

A condition of release could be retirement, permanent incapacity, terminal medical condition. Before 65 the TRIS only moves into retirement phase, when the member notifies the trustee. So proactive action is required.

Just as before you can maximise ECPI by notifying the trustee after the payment of minimum pension payments.

Example

Sam is 62 and has a TRIS balance of \$1.6m at 30 June 2018. So the min withdrawal for 2018/19 is \$80,000.

On 1 July 2018 Sam meets a condition of release. If Sam notifies the trustee and moves his TRIS into retirement phase before making any pension payments, his TBA will be hit with \$1.6m and he will have \$1.6m in retirement phase. On 2 July he then makes the minimum pension payment and his balance in retirement phase goes down to \$1.52m.

If Sam did it the other way around and paid the minimum pension payment on 1 July 2018 and then notified the trustee, then his balance in retirement phase would still be \$1.6m come 30 June 2019. Assuming he didn't make any additional withdrawals.

Why does it matter?

If you make the minimum payment before conversion to retirement phase, you don't need to make any more payments that year. And so you maximise the \$1.6m cap.

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