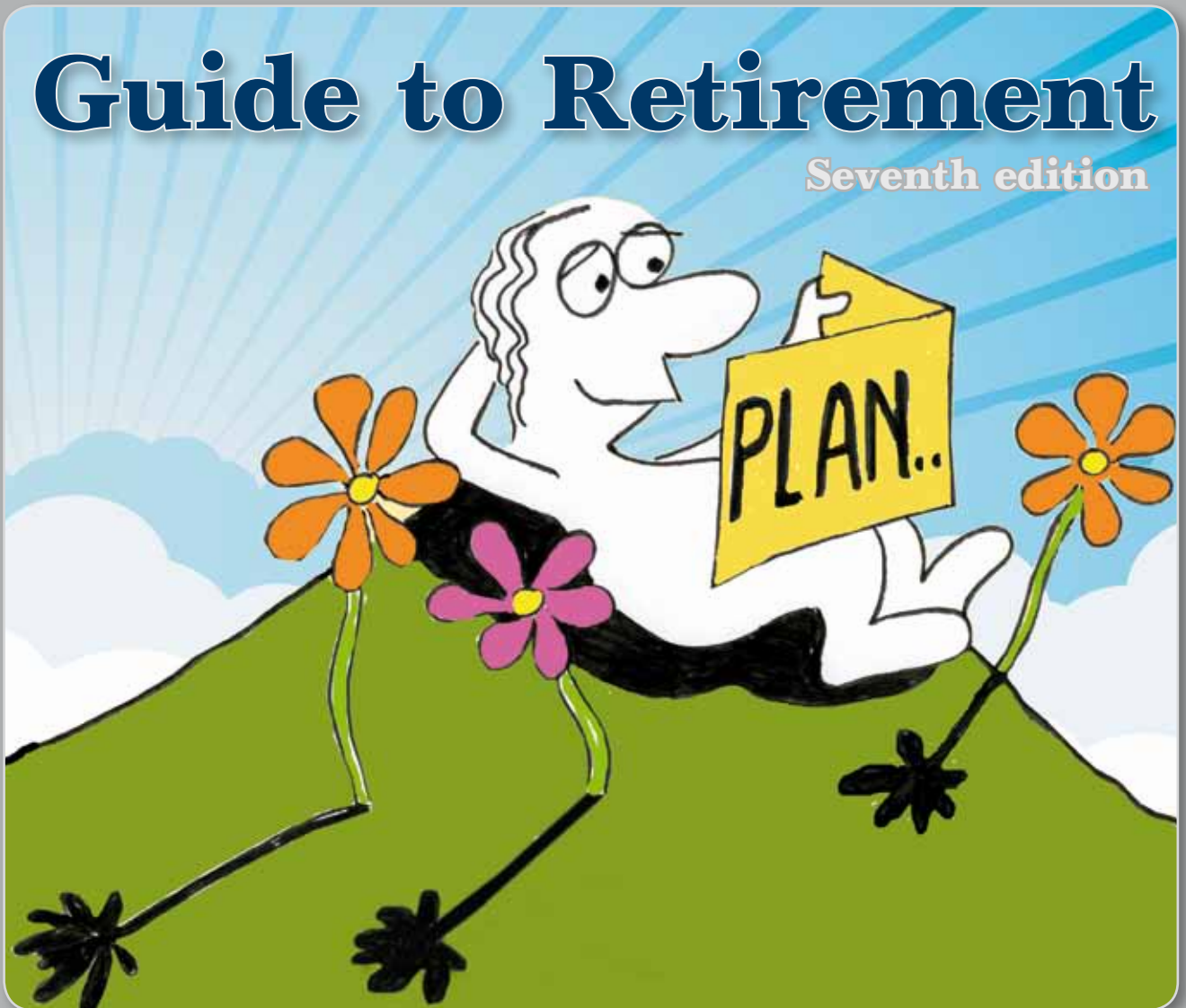




# Guide to Retirement

Seventh edition



Written and updated for the AEU by our preferred providers of retirement and financial planning services.



*An AEU member service*

# Looking towards Retirement

The legislative and regulatory environment governing superannuation and retirement can appear impenetrably complex. And it would be naive to believe that the many changes of the past decade will not be followed by more in the years ahead. But the prospect of complexity and change should no more inhibit planning for retirement than it does other areas of life. We live and plan our lives in an environment of complexity and change.

**Informed planning is an essential element of building an efficient retirement income and capital model intended to provide for an enjoyable and fulfilling retirement.**

**The *AEU Guide to Retirement* has been developed to assist members to identify planning and positioning issues which may be relevant to them in their approach to retirement.**

## ESSSuper — New and Revised Schemes

The ESSSuper New Scheme and Revised Scheme provide predictable retirement benefits for most teachers approaching retirement, or a key date such as age 54.11, age 55 or age 60.

Both Schemes are defined benefit funds. Member benefits at retirement are a function of years of service, salary history, contribution history, age at retirement and final average salary.

Anachronistic terminology can be confusing. The Revised Scheme is a pension benefit fund, offering a lifetime, CPI indexed, pension benefit to members, with options to convert pension to lump sum. It closed to new members in June 1988.

The New Scheme is a lump sum benefit fund which replaced the Revised Scheme. Yet having commenced in July 1988, it was quickly closed to new members as of the end of 1993.

Its members comprise those who joined the service between 1988 and 1993, and those Revised Scheme members who elected to transfer from the pension fund to the New Scheme lump sum fund, for whatever reasons, in either 1988 or in 1993.

## Some New Scheme Issues

An increasing proportion of the ESSSuper members seeking advice relating to retirement are New Scheme members — essentially from age 50 onwards. As the years pass the trend will accelerate.

Many of those who transferred to the New Scheme in 1988 or 1993 did so because they needed to increase their take home pay for family reasons. The New Scheme provided the option of lower fortnightly member contributions, or no contributions, to superannuation.

A long term consequence of transfer to the New Scheme is a lesser retirement benefit relative to the prospective Revised Scheme benefit. The relative reduction is amplified where the member also elected to voluntarily reduce member contributions.

It thus becomes important that New Scheme members seek advice as early as possible with a view to improving their prospective long term capital situation and exploring their retirement options.

## Benefit Multiple and Contribution Rate

The default rate of member contributions to the New Scheme is 5% p.a. of superannuation salary. This rate of contribution, in conjunction with the employer contribution, provides the maximum defined benefit of 17.5% of final average salary (FAS) for each year of full-time service. A benefit multiple thus builds over time — for example a lump sum benefit of 1.75 x FAS after ten years of service.

But many members have historically elected to contribute at a lower rate — 0% p.a. or 3% p.a. within the Scheme — resulting in an increase in their defined benefit multiple of only 8.5% or 14% of FAS per annum, rather than 17.5%.

Such members will thus reach retirement with a significantly lower lump sum benefit entitlement.

Action can be taken. Those who have contributed at less than the 5% p.a. rate historically can elect to increase contributions to 7% p.a., a catch-up rate, until their average rate of contribution over time reaches 5% p.a. For each full-time year of contribution at 7% p.a. their defined benefit multiple rises by 21% of FAS.

(For ease of illustration we have used the after tax member contribution rates. Member contributions to the New Scheme can be made as

pre-tax contributions and it is tax efficient for members to do so.)

## Building Another Lump Sum

In addition to the New Scheme retirement lump sum many members will benefit from building an additional pool of capital for retirement using tax efficient salary sacrifice to superannuation. *See Page 4 of the Guide.*

In a limited number of situations members will have access to exempt officer status. In some circumstances exercise of the exempt officer option can be used to build a stronger overall capital position at retirement.

Some New Scheme members will be able to use a Transition to Retirement strategy to improve their capital situation at retirement. Most commonly for New Scheme members this can be most beneficial from age 60, but again depends on individual circumstances.

## New Scheme Pension Benefits

The New Scheme is a lump sum fund. Yet some members retain access to part of their retirement benefit as a lifetime CPI indexed pension.

The option can be accessed at retirement by members who transferred to the New Scheme from either the Revised Scheme or the SERB Scheme in 1988.

Note that the pension benefit entitlement may not appear on your Annual Benefit Summary from ESSSuper.

(The New Scheme also offers the option of a pension, rather than a lump sum, for those approved for ill health retirement.)

## Approaching Retirement

The development of an efficient retirement income and capital model can significantly influence the way you live in retirement.

Issues in relation to school holidays, the most effective use of accrued long service leave entitlements, the prospect of a significant salary increase, are all issues which can be short term influences on the timing of retirement.

The longer term issues revolve around your objectives for retirement, building an efficient and sufficient regular monthly income, structuring for Age Pension efficiency as part of your model, and providing capital to service capital needs over the short, medium and longer terms.

Whether you are a New Scheme, Revised Scheme or SERB member, or a member of some other Fund, the articles and examples in the *Guide to Retirement* seek to provide insight — a sense of the ways in which early focus and good planning can enhance a member's retirement circumstances and options. ❖

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# Retirement Advice, Planning Periods and Age Pension

The Australian retirement environment differs from those generally operative across the world's industrial democracies. It is a tri-partite model which has as its three elements, personal savings and investment, superannuation pensions and lump sums, and social security entitlements, an important pillar of which is Age Pension entitlement.

Importantly, it is a buffered system. The size of one component can influence the efficiency and benefits available from other components. And it is complex. The way in which planning for retirement takes account of the web of tax rules, super rules and Age Pension asset and income rules can significantly influence income, asset structure and lifestyle options in retirement. Age Pension considerations must be part of effective retirement planning and good planning can significantly enhance Age Pension entitlement in retirement.

Some people come to see us with the view that the purpose of retirement planning is to decide what superannuation products to invest in. This misconception results in people thinking about investment when they should first be thinking about what they want to do as the basis for developing a structure which will satisfy lifestyle needs and objectives in retirement.

## Planning Periods

The starting point for thinking about retirement is in considering what you want to do in the years ahead — five years — ten years. Developing your lifestyle objectives forms the basis for developing your retirement strategy.

In the early years of retirement (or partial retirement) people tend to undertake the things they have not previously had the time or capital to do. This may include such things as travel, home improvements or the purchase of a vehicle or other equipment. The early years tend to be the heavier spending years of retirement.

As time passes and people age they tend to be less active. Income and capital needs can drop away. At the same time opportunities can arise for the buffering of total income through the inclusion of part Age Pension.

Good planning will look at these issues in terms of planning periods, starting with lifestyle needs and addressing the income and capital needs for each planning period. It will take account of issues such as Age Pension efficiency and the income tax efficiency that is available in the superannuation world from age 55.

In accessing advice it is essential to work with an adviser who has an established reputation in the areas of client relationships and planning quality, a person with whom you will feel comfortable working over time, who has a reputation for providing continuing care and support to clients.

Changes in your personal circumstances, in income or capital needs or changes to superannuation, tax or Age Pension rules over time are best addressed with an adviser with whom you have established a relationship over time and who remains familiar with your situation and supportive of you.

## Advice and Relationships

Much of the advice given to people entering retirement does not take the approach outlined above — the focus instead is product placement. Funds management, not advice, is the core business of super funds.

Super funds tend to employ general advisers. They often lack the qualifications, training and knowledge to develop a comprehensive



retirement strategy unique to you, to apply across your planning periods. Their 'advice' defaults to computer generated template recommending the super fund's product.

And there is no notion of continuity of service or relationship. Next time you need to see someone it will likely be a new person and you will need to start all over again. (A bit like dealing with a telephone company).

Unless a retirement plan is clearly about you — looks at your situation, objectives and planning periods in building a retirement strategy — then be wary of it.

Good planning, even at ages 55 or 60, will normally consider Age Pension issues as part of a prospective retirement income

model. It is a useful indicator of the extent to which the planning is personalised for you and your family situation. ❖

## Case Study – Age Pension Efficiency

Bob and Lyn have been clients of RV for a decade. Bob exercised the ESSSuper age 54.11 option and worked for some five more years before retiring from the workforce. Consideration of Age Pension options and efficiency has formed a part of their ongoing planning and review process.

At Age 65 Bob was eligible for Age Pension, as was Diane at 64.5. Bob receives an ESSSuper Revised Scheme pension of \$28,000 p.a. In addition they have a total of \$320,000 in account based pensions from which they receive pensions of \$16,000 p.a.

Their other assessable assets comprise \$50,000 in bank accounts, home contents assessed at \$10,000 for Centrelink purposes and two cars with a total assessed value of \$38,000. Their home is an exempt asset.

Planning and review over time has ensured their income and asset model is efficient for Age Pension income and asset testing purposes. Under their efficiently developed structure a significant part of their ESSS pension and Account Based Pensions are exempt income under the Age Pension income test.

They now jointly receive \$21,000 p.a. of Age Pension income.

Their net core annual income is thus \$65,000 p.a.. And they pay no tax.

# Salary Sacrifice – Building Another Nest Egg

**WHILST most members we meet have discussed salary sacrifice with colleagues, many are not clear on what it is. How does it work?**

**Salary sacrifice to superannuation offers the option of building an additional super lump sum for retirement in a tax effective way. It involves a decision to save some pre-tax salary into a super fund now rather than receive the salary as after tax income — a decision to defer consuming now so that more can be consumed in retirement. And the tax savings can be large.**

**Not only is the option available to members in the years before retirement, it can also be used very effectively by those who have returned to work after exercising a retirement option (such as the 54.11 option).**

## Starting Salary Sacrifice Pre-Retirement

For most members in the pre-retirement years the decision on the amount to salary sacrifice will be determined by the effect on take home pay. Building a salary sacrifice lump sum reduces take home pay. It is a tax advantaged savings strategy.

Let us look at a teacher with a taxable income of \$85,000 p.a. The top \$10,000 p.a. of gross income will provide take home pay of \$6,375 p.a. after tax and Medicare Levy (2012/13 rates).

Salary sacrificing the same \$10,000 p.a. would result in a contribution of \$8,370 p.a. to a superannuation fund after 15% contributions tax and the DEECD (Smartsalary) administration charge of \$130.

By forgoing net income of \$6,375 p.a. now the member thus saves \$8,370 into super for retirement.

Looked at on a fortnightly basis — for each \$385 per fortnight of gross salary sacrificed to superannuation the teacher will take home ~\$245 per fortnight less while saving ~\$323 per fortnight into superannuation.

The tax savings effectively deliver a 31% risk free return.

## Access to Your Superannuation

Amounts salary sacrificed into superannuation are preserved and cannot be withdrawn from the superannuation environment until retirement beyond age 55 (or beyond age 60 for those born after June 1964 with transitional ages for those born after June 1960). Transition to retirement pensions can, however, be commenced from accessible preserved funds if desired from age 55.

## Salary Sacrificing In Volatile Times

Some members have expressed concern about making salary sacrifice contributions to superannuation in uncertain times. Could the advantage of the salary sacrifice be lost if the superannuation fund they salary sacrifice to falls in value?

Superannuation is a tax advantaged savings environment, not a class of investment. In the super world you can choose what to invest in — cash, fixed rate, shares or property.

Most members with limited time to retirement will salary sacrifice into a cash superannuation fund, preferring to lock in the tax benefit rather than risk erosion of the tax benefit of salary sacrifice in the short term. This means they will receive interest within their fund and rule out the possibility of any loss (or gain) as a result of market fluctuations. It offers a known outcome when the point of retirement is reached.

## Transition to Retirement — Revised and New Schemes

Commencement of superannuation pensions at or after age 55, accompanied by return to work either full-time or part-time, can offer opportunities to build a member's capital position in the run up to full retirement.

The mix of ESSSuper Revised Scheme pension with contract teaching income and salary sacrifice to superannuation can be an effective way of building retirement savings while maintaining or exceeding your pre-retirement level of take home pay.

For most members of the ESSSuper New Scheme, Transition to Retirement strategies tend to have the most appeal from age 60, rather than age 55.

Members of the New Scheme who have access to what is called 'exempt officer status' can be especially advantaged. Historically this has been available to members of the Principal Class, but may in time become available to other members.

Whether you are a New Scheme or a Revised Scheme member your individual history and circumstances are critical. Seek informed advice. ❖

## Arranging Your Salary Sacrifice

In the past many members have purchased salary sacrifice products with high fees and inappropriate investment structures. This has particularly been the case with selling agents who spend significant time visiting schools. Members should be wary.

As part of the ongoing association between the AEU and Retirement Victoria, advice and assistance to establish a salary sacrifice structure is provided as a member service.

The service has been used by large numbers of members and provides a streamlined process by which members can choose a contribution level and have all implementation paperwork completed.

Members who would like to arrange salary sacrifice or who are concerned about their present salary sacrifice arrangements should ring Retirement Victoria.

## Additional RV Publications

### RV Client News

**Retirement Victoria publishes a Summer Edition and a Winter Edition of *RV Client News* every year. Copies are accessible on the RV website and address many topical superannuation and retirement issues.**

### Dollar Notes

**Contact Retirement Victoria to obtain copies of our special publication *Dollar Notes* on individual super issues**

- Co-Contribution to Superannuation
- Salary Sacrificing Your ESSSuper Contribution — New and Revised Schemes
- Concession Cards
- Aged Care Planning

# Transition to Retirement

Historically a decision regarding retirement tended to be an all or nothing decision. A member either continued in full-time work, or fully retired. More recently changes to superannuation rules, workforce flexibility and the abolition of compulsory retirement age have tended to open options for members in the years before full retirement. Transition to Retirement pensions can be commenced from superannuation capital from age 55, without the requirement for retirement from the workforce.

Options exist for some members to work part-time without a reduction in their net fortnightly income. Some may have the option of receiving a superannuation pension, resuming full-time work, and building their retirement savings using tax efficient salary sacrifice and savings from surplus income. The options do not work for everyone. Both in the run up to age 55, and to age 60, you should get advice particular to your own situation.

## Transition Pensions

The commencement of transition pensions can offer multiple benefits for those continuing in the workforce because:

- the regular monthly income from the pensions has an exempt component for tax purposes, and the component which is taxable receives tax concessions from age 55 and is tax exempt from age 60.
- there is no tax on the earnings or growth on capital in a superannuation transition pension, whereas earnings on super in accumulation funds attract tax at the rate of 15% p.a.
- the receipt of tax efficient income in this way (including Revised Scheme pension) can create the opportunity for tax effective salary sacrifice to super. It can reduce the effective marginal tax rate, for example from 31.5% (or 38.5%) to 15%. An additional retirement nest egg can thus be built.

## ESSS Revised Scheme — Age 54.11 Option

If you leave the service prior to your 55th birthday then, for the purposes of ESSSuper Revised Scheme benefits, you have resigned. If you leave on or after your 55th birthday you are deemed to have retired.

Revised Scheme benefits arising from resignation are different from those arising from retirement because they are covered by separate rules. Exercise of the option to resign immediately prior to age 55 is commonly referred to as exercising the 54.11 option and for many members can deliver a significant advantage over retiring at or after age 55.

In the event of resignation a member becomes entitled to a refund of contributions with interest and a preserved, deferred pension benefit with the option to commence pension from age 55, convert it in whole or part to lump sum, or defer it beyond age 55.

By comparison a member retiring at or after age 55 becomes entitled to a defined benefit pension. The member has the option of a full pension, partial commutation of pension to a lump sum, or full commutation of pension to a lump sum. A retiring member does not have the option of receiving a refund of contributions and interest.

For the 54.11 beneficiary the value of the refund of contributions and interest can far exceed the commutation value of pension forgone in receiving the refund. Additional benefits of around \$100,000 are common.



It must be emphasised that the comparison of resignation and retirement benefits is complex and involves different issues for different people. Only a proportion of members can derive a financial benefit from the 54.11 option.

Some of the issues which influence the situation and decision are:

- ▶ History of Super Contributions and Interest
- ▶ Superannuation Salary including Historical Salary

- ▶ Final Average Salary
- ▶ Prior Service Entitlement
- ▶ Length of Service and Leave History
- ▶ Prospective Age Pension Issues

Exercise of the 54.11 option followed by a return to work (either full or part-time), can provide a major opportunity to build an additional pool of retirement capital after age 55.

The combination of ESSSuper pension, transition pension and contract teaching income, for example, provides three incomes and can generate the opportunity for a higher level of tax efficient salary sacrifice to super.

It can represent a late career opportunity to generate an increase in available capital for retirement through the combination of the 54.11 refund benefit and the subsequent nest egg built using an enhanced salary sacrifice option.

The areas discussed above are complex and the situation, needs and objectives of members differ widely. We encourage you to make an appointment well in advance of age 55 to ensure you fully understand your options in deciding what will best serve your interests over time. ❖

## Case Study

Ted was a country maths teacher and member of the ESSSuper Revised Scheme on a salary of \$85,000 p.a. His take home pay was \$57,000 p.a. after tax and ESSSuper contributions. He exercised the 54.11 resignation option and was encouraged to return at 0.6 time fraction on a gross salary of \$51,000 p.a. He intends to teach for at least five years to age 60.

We set in place a Transition to Retirement strategy. His ESSSuper pension is \$28,000 p.a. and he commenced a transition pension of \$4,000 p.a. from \$100,000 of his resignation lump sum refund of \$305,000. Using an enhanced salary sacrifice strategy he sacrifices \$20,000 p.a. of his gross salary to super. The remaining \$31,000 p.a. is taken as salary.

After tax exemptions and tax concessions arising from the pensions his total fortnightly net income is the same as it was prior to resignation — that is \$57,000 p.a..

In addition, after allowing for contributions tax of 15%, and adding the employer's Super Guarantee contributions, he is saving an additional \$21,000 p.a. into a cash superannuation fund.

Ted will have saved an additional lump sum for retirement of more than \$100,000 if he retires in five years time. He has had no reduction in net income. And his 0.6 time fraction gives him the lifestyle flexibility he wished for.

# Women Teachers and Super

The history of superannuation for married women teachers in Victoria is a story of disadvantage and discriminatory practice. But there are things that can be done to temper the effects. In this article we look at the history and provide some guidance for women seeking to improve their situation in the approach to retirement.

Married women teachers first obtained access to some superannuation in 1957 when, for the first time, women were no longer required to resign from the permanent Teaching Service on marriage.

At that time a special superannuation fund, the Married Women Teachers' Pension Fund (MWTPF), was established. On marriage, a woman was excluded from the State Superannuation Fund (SSF, now ESSSuper), but could elect to join the MWTPF. The MWTPF was a lump sum fund with inferior retirement and disability benefits to the SSF from which they were excluded.

In 1969, the MWTPF became the Married Women's Superannuation Fund, still with voluntary membership and lesser benefits than the SSF.

## Optional Access

It was not until July 1975 that married women had access to the SSF for the first time. Married women permanent teachers were given six months to elect to join the SSF. All new married women entrants to the Teaching Service automatically became members of the SSF, but had six months from their date of gaining permanency to opt out of the Fund.

The provision created the impression that membership of the Superannuation Fund was unnecessary for married women. This impression was reinforced in 1980 when legislation was enacted offering all married women members the option of leaving the SSF. Despite a strong union campaign advising teachers to remain in the fund, some two thousand members elected to withdraw from superannuation.

The unsatisfactory outcome of this process — the resultant exclusion of a large number of women from future access to superannuation — led to pressure to re-open the SSF.

In 1982, the SSF was reopened to all married women permanent teachers to join and as of July 1982, all new entrants to the service had compulsory membership of the SSF Revised Scheme — the pension scheme.

Women who did not elect to join the SSF in 1982 automatically became members of the SSF New Scheme (the lump sum scheme) when the Revised Scheme was closed to new members in June 1988.

They did not, however, get access to the recognition of their prior service for superannuation purposes because they were deemed to have opted out of superannuation in 1982.

## Family Factors

Throughout the period from 1957 to 1984 inadequate family leave provisions and prevailing expectations compelled many women to resign when they established a family. Many later resumed as temporary teachers (a lot part-time) without access to superannuation.

Many resigned and rejoined several times as their families grew, remaining as temporary teachers without access to superannuation.



In 1984 the State Employees' Retirement Benefits Fund (SERB) was established providing some lump sum and pension benefits for temporary teachers. Membership of the fund was voluntary and many temporary teachers did not join. Members of the SERB scheme were able to transfer to the SSF New Scheme following its commencement in July 1988.

Those temporary teachers who did not elect to join SERB also lost access to recognition of prior service for superannuation purposes when they ultimately became members of the SSF.

What does all of this mean for women teachers and retirement? Some women have taught for much of their lives without accruing the retirement benefits which compulsorily accrued for men.

Others who accepted primary responsibility for the care of children on the understanding that their partner's superannuation

would provide the family retirement income have lost that retirement security as a result of marital breakdown.

## Improving Your Situation

Many women approaching or in retirement feel a sense of frustration about their prospects of generating a reasonable retirement income. In some cases they have received inadequate and inaccurate advice about their position.

In many situations action can be taken to improve their income and capital position in retirement. For women who are currently teaching this can include:

- building an additional lump sum tax effectively using salary sacrifice
- salary sacrificing ESSSuper contributions thus improving income efficiency and take home pay
- increasing the contribution rate for some New Scheme members with consequent increase in retirement lump sum
- application for recognition of prior service to provide a larger benefit at retirement.
- using transition to retirement pensions as part of strategy in the run up to retirement
- access to Government superannuation co-contribution

In retirement the use of income strategies friendly to Age Pension can significantly increase regular income and improve the capacity to achieve a secure and flexible retirement lifestyle.

Over the years Retirement Victoria has established effective retirement models for many hundreds of women members disadvantaged by superannuation history. Women members approaching retirement are encouraged to take advantage of the specialist retirement planning services Retirement Victoria offers by making an appointment. ♦

# Staffroom Myths

Like viruses staffroom myths seem to replicate and spread. The more persistent superannuation myths are nearly impossible to eradicate.

## **Myth 1: If I reduce my time fraction it will reduce my salary for ESSSuper superannuation purposes.**

The ESSSuper Schemes (Revised, New and SERB) are defined benefit funds. Retirement benefits are influenced by the number of years of recognised contributory service, age at retirement and final average salary.

Some members would like to reduce time fraction in the years running up to their retirement but believe this will proportionately reduce their final average salary for superannuation purposes. This is not the case.

Salary for superannuation purposes is based on Equivalent Full Time (EFT) salary. For example a teacher who is paid \$86,000 p.a. and reduces time fraction from 1.0 to 0.5 will have an actual salary of \$43,000 p.a., but superannuation salary will still be the EFT salary of \$86,000 p.a.

However if you become part-time then service for superannuation purposes will accrue more slowly. A member working 0.5 time fraction will accrue one full year of contributory service over two years. For members with a long history of contributory service going part-time in the lead up to retirement has only a very minor effect on retirement benefits.

## **Myth 2: Given that Superannuation Benefits are tax Exempt from age 60 I would be better off deferring my retirement to age 60 for tax reasons.**

There is no point in deferring a planned retirement or Transition to Retirement strategy to age 60 for tax reasons.

Members retiring and utilising super lump sums to generate transition pension as part of a Transition to Retirement strategy, or retaining their super as growth investments pay no tax on lump sums at the point of resignation or retirement. Superannuation pensions receive tax concessions from ages 55 to 59 before becoming exempt from age 60.

There can be a significant opportunity for some people to return to work between ages 55 and 60, receive two incomes instead of one, and build an additional capital base for retirement using tax advantaged salary sacrifice to superannuation.

However, as with all retirement and transition strategies, what is appropriate for any person or family depends on their individual objectives and circumstances.

Age 55 remains an important decision point. Provided an efficient strategy is used little or no tax is payable on most retirement incomes and lump sum withdrawals from superannuation from age 55. If you are thinking of retiring or looking at commencing a Transition to Retirement strategy get appropriate advice and planning done.

## **Myth 3: I am a full-time teacher and would like to take long service leave as double leave on half pay in the six months leading up to my retirement, but this will affect my ESSSuper retirement benefit adversely.**

No it won't. Your retirement benefit will be unaffected. You will continue to make full contributions to the Revised or New Scheme while you are on leave and will continue to accrue service as if you were working full-time. Superannuation salary is not affected because it is based on your Equivalent Full Time (EFT) salary.

## **Myth 4: I have been an LT for the past five years and am looking to retire in about a year. I don't want the additional workload for the next year but if I drop back to E4 salary my superannuation retirement benefits will reduce proportionately.**

ESSSuper retirement benefits are based in part on Final Average Salary (FAS). For most members this represents the weighted average of the EFT salary payable during the two years of service before retirement. However there are exceptions.

Where a member has a higher historical superannuation salary (such as the leading teacher salary) this salary can be applied to the determination of FAS. Consequently the members prospective retirement benefit in the above case would not fall just because salary had fallen.

The higher salary must have been paid for a minimum of a full year for it to count towards FAS.

## **Myth 5: I am not going to salary sacrifice to superannuation because it will reduce my superannuation salary and hence my ESSSuper retirement benefit.**

Salary sacrifice does not reduce ESSSuper superannuation salary.

## **Myth 6: I am an E4 on the teacher salary scale but have received a Higher Duties Allowance as an Acting Assistant Principal for the past two years. This will increase my Final Average Salary for ESSSuper benefit purposes won't it.**

Alas no. FAS will be based on the underlying teacher salary. There is no advantage for ESSSuper purposes of the acting principal class HDA.

## **Myth 7: All ESSSuper New Scheme members have a lump sum retirement benefit, not a pension benefit.**

There are some New Scheme members who have a pension entitlement as well as a lump sum entitlement. It is not necessarily shown on their Annual ESSSuper Benefit summary. New Scheme members who were previously members of the Revised Scheme or of the SERB Scheme and transferred to the New Scheme should check their entitlements. In some cases such members can also derive an advantage from exercising the age 54.11 resignation option. ❖



# About the Guide

The information in the Guide is of a general nature only and neither represents nor is intended to be personal advice on any matter. No person should act on the basis of the information contained herein but should seek appropriate professional advice based upon their own personal circumstances.

The *Guide to Retirement* is prepared for the AEU by the team at Retirement Victoria. Some of the material is new and some of it updates information published in the past.

Retirement Victoria is the AEU's preferred provider of retirement and financial planning services to AEU members.

As specialists in public sector superannuation Retirement Victoria staff have worked closely with the AEU and with AEU members over a long period; advising and assisting members in the development and implementation of retirement strategy.

They regularly conduct retirement seminars at the AEU office which are publicised through AEU publications and the AEU and RV websites. A program of Regional Seminars is also held each year in



conjunction with the AEU.

In addition they do a range of pro bono work in support of AEU members, particularly those affected by financial crises arising from life circumstances such as separation, ill health, or death within a family.

Retirement Victoria has a team of eight Advisers assisted by a skilled Support and Admin team. For more than two decades they have provided ongoing advice and support to

their retiree clients and to AEU members.

Appointments are available at their St Kilda Rd office or in their office at the AEU.

Additional copies of the Guide are available on request from the Retirement Victoria office.

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## Where to find us

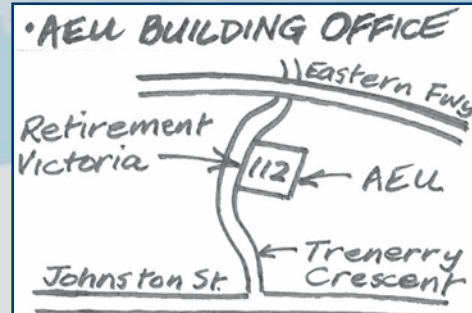
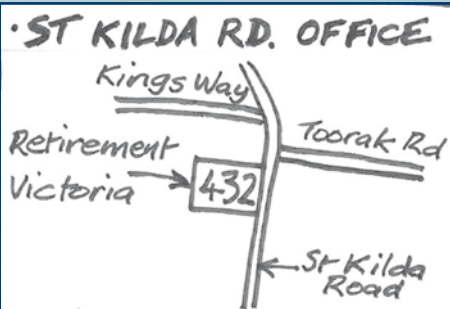
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St Kilda Road  
Tram Stop 22

Meter parking –  
St Kilda Road  
centre section 2 hours;  
service road 1 hour

FREE PARKING –  
Toorak Road



## APPOINTMENTS

Initial appointments can be arranged at our St Kilda Road office or at the AEU Building in Abbotsford.  
To arrange an appointment with a RV adviser ring

**(03) 9820 8088**

**The AEU's preferred advisers for retirement  
and financial planning**