What can I do with my super when I retire?

By Perpetual

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For most of your life, access to your super has seemed a long way off. Now that day is getting closer and there are decisions to be made.

Once you can access you super, your options include: cashing it out as a lump sum, leaving it in accumulation phase, converting it to an account-based pension or a combination of these.

When can I access my super?

You can typically access your super when you turn 65 (even if you haven't retired), or when you reach 60 and retire. You may also be able to access your super in limited circumstances such as severe financial hardship or compassionate grounds.

Once I can access it, what can I do with it?

Cashing out

Cashing out your superannuation can be tempting, since it provides immediate access to a lump sum of money that can help cover expenses or pay off debts.

But it's important to carefully consider the drawbacks. It can negatively impact your retirement savings by reducing your overall balance and potential earnings.

Leaving it in

Leaving your money in a super account can potentially help your retirement savings grow through investment returns and further contributions.

One significant advantage of leaving your money in super is that you can withdraw from it whenever you want after reaching 60 years of age and retiring.

Unless your total super balance exceeds $3.0 million, you'll generally pay a maximum of 15% tax on earnings within your super account, which may be significantly lower than the tax rates you face outside of super.

Converting to an account-based pension

Another option is to transfer up to $2.1 million of your super into an account-based pension. This provides many benefits including:

- Flexibility to choose how much and when you receive payments
- Tax-free investment earnings
- Tax-free lump sum or pension payments for those aged 60 or over

It’s important to note there are some requirements associated with account-based pensions.

For example, you are required to have a minimum annual payment from your pension account, which is calculated based on your age and account balance.

There is also a transfer balance cap, which is the maximum amount of money that you can transfer into retirement phase income streams (including account-based pensions). The current transfer balance cap is $2.1 million.

How do I open an account-based pension with Perpetual?

Perpetual WealthFocus Pension Plan – open an account

Further information

For further information please speak to your financial adviser or call us on 1800 011 022 during business hours (Sydney time).

However, as a general starting point, you can use the Money Smart calculator to estimate:

- Your super balance at retirement
- How fees affect your final super balance

Read more retirement articles here.

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