Transition from work loses gloss

Changes impact many but a TRIS still has merit

DIY SUPER

Monica Rule

Although earnings from assets supporting Transition to Retirement Income Streams (TRIS) are no longer exempt from tax, a TRIS is the only way to access your superannuation savings while you are still working. This is provided you have reached your preservation age, which is the minimum age that you can access your superannuation.

There are limits on the minimum and maximum amounts of TRIS you can access from your superannuation fund each year. The minimum amount is based on your age at July 1 and is a percentage of your TRIS account balance.

If your TRIS commences during the year, the minimum amount will be calculated on a pro-rata basis from the commencement date. The minimum amount is rounded to the nearest $10. The maximum amount is 10 per cent of your pension account balance and this is not calculated on a pro-rata basis.

TRIS is paid as a non-commutable income stream which means you cannot convert it to a lump sum superannuation benefit, until either you reach the age of 65 or meet another condition of release.

By commencing a TRIS, you can cut down on your working hours and maintain the same level of total income by supplementing what you no longer receive as salary with a TRIS from your super fund.

You may still continue to make contributions into your fund once you start a TRIS. You could consider setting up a salary sacrifice arrangement by putting your salary into your fund and replacing the sacrificed salary with a TRIS from your fund. By doing this your fund pays 15 per cent on the sacrificed salary received instead of you personally paying tax at your marginal tax rate which may be higher. You will need to consider the concessional contributions cap of $25,000 per annum if you do this.

You could also consider receiving a TRIS and re-contributing it back into your fund as non-concessional contributions. This will allow you to increase the tax-free portion of your superannuation savings in your fund. You will need to consider the non-concessional contributions cap of $100,000 per annum, or if you are under 65 you could use the bring-forward rule and contribute a total of $300,000 in one year or over three consecutive financial years. This is provided your total superannuation balance is below $1.6 million as at June 30, 2017 and you do not exceed the non-concessional contribution eligibility thresholds.

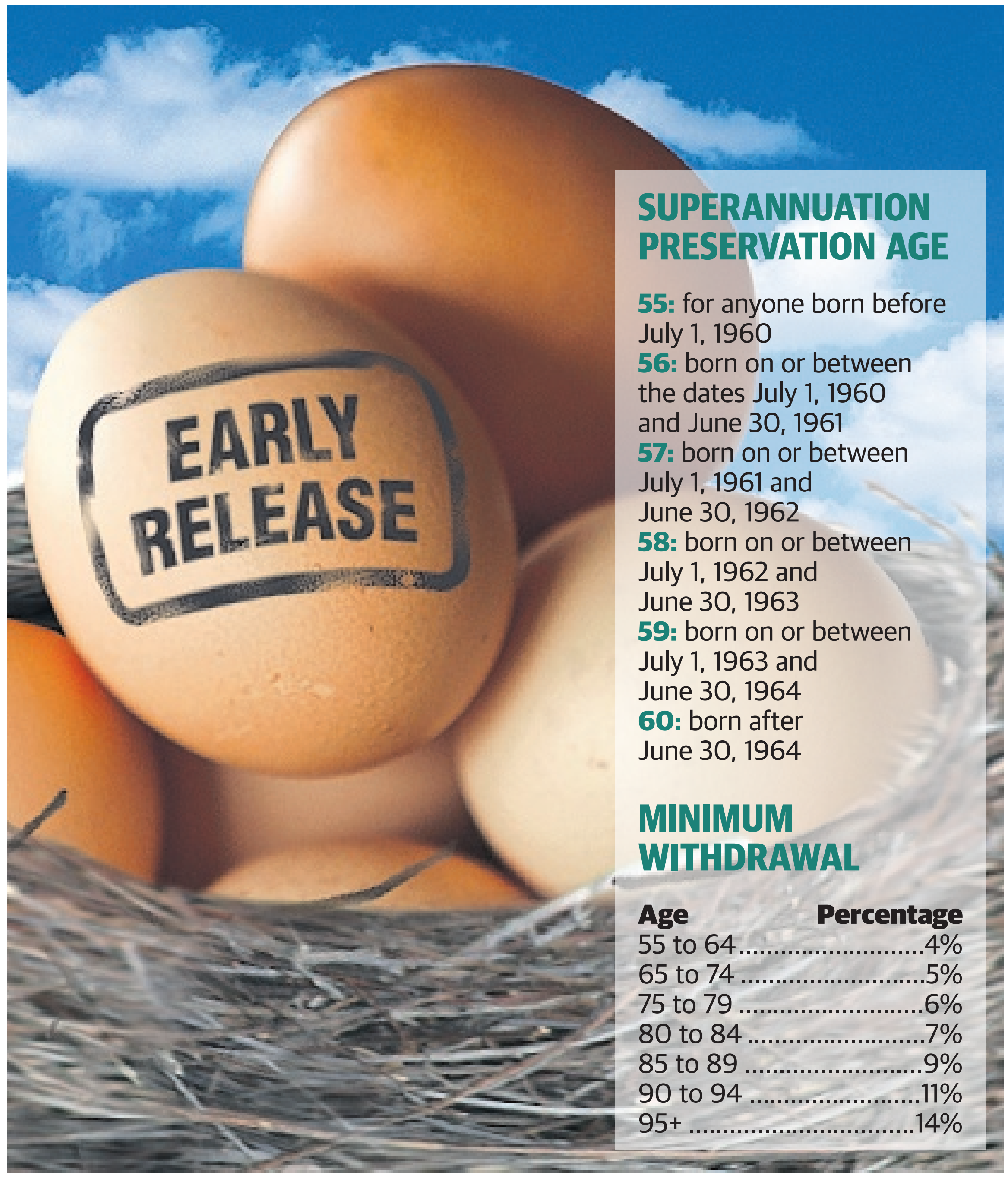
One good thing is, if you are aged 60 or older, TRIS received in your hands is tax-free. If you are aged 55-59, the taxable component of your TRIS is taxed at your marginal tax rate but you will receive a 15 per cent tax offset which represents tax already paid by your fund.

Recent changes to the law will allow a tax exemption on earnings from assets supporting a TRIS with a balance of up to $1.6 million when the member turns 65. This is because a TRIS will automatically be treated as a pension in the retirement phase because the member meets a condition of release by turning 65. It also means the member's TRIS will count towards their general transfer balance cap, which is currently $1.6 million. Any amount in excess of the cap will attract an excess transfer balance tax.

One thing to watch out for is if a member accessing a TRIS meets other conditions of release such as becoming fully retired, suffering from a terminal medical condition, or becoming permanently incapacitated. In these cases, the member will need to notify the trustee of their fund that they have met a condition of release before they are eligible for the earnings tax exemption on assets supporting their TRIS. Their TRIS will also count towards their transfer balance cap from the date they notify their fund regardless of when they met the condition of release.

Monica Rule is an SMSF Specialist. She runs webinars and seminars on the superannuation law and SMSF compliance. For more details visit: monicarule.com.au

"ALTHOUGH EARNINGS FROM ASSETS SUPPORTING A TRIS ARE NO LONGER EXPEMPT FROM TAX, A TRIS IS THE ONLY WAY TO ACCESS YOUR SUPER SAVINGS WHILE YOU ARE STILL WORKING.



SUPERANNUATION PRESERVATION AGE

55: for anyone born before July 1, 1960
56: born on or between the dates July 1, 1960 and June 30, 1961
57: born on or between July 1, 1961 and June 30, 1962
58: born on or between July 1, 1962 and June 30, 1963
59: born on or between July 1, 1963 and June 30, 1964
60: born after June 30, 1964

MINIMUM WITHDRAWAL

Age	Percentage
55 to 64	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 94	11%
95+	14%

Give credit where it's due as CCP benefits from debt

YIELDHUNTER

with Patrick Taylor

Sometimes you must be pragmatic when selecting companies which, while they may not represent the most glamorous parts of the economy, represent sound business performance with strong forecasting and an exciting technical outlook.

Leading consumer-lending and debt-collection agency Credit Corp Group is such a stock and you owe it to yourself to check it out as the company looks ready to make its claim.

Credit Corp began life in Sydney 1992, listed in 2000, and has ridden an ever-rising tide of debt to become the dominant domestic player and reach New Zealand and the US. Considering Australia's household debt levels as a percentage of gross domestic product have more than doubled in the past 20 years, this represents an active long-term trend that seems more than likely to continue raising CCP's stakes.

The NZ market is largely similar to Australia but the situation is a bit different in the US where household debt levels have consistently fallen since the pre-GFC peak.

This downtrend was broken in 2015 and levels have been rising since. This could signal further growth opportunities and could see CCP's expected break-even point for its US operations reached next year as it looks to put a lacklustre start in arrears.

CCP's dividend is forecast at 3.32 per cent this year, though these payments have been rising steadily and are set to continue doing so through to 2018. This has us running short of our payback target by 5.38 per cent, though this is well paid for by the 9.4 per cent discount current pricing shows to its consensus target — with all six covering analysts holding positive views.

Tack on more than 20 per cent earnings growth last year with the same expected going forward, this is definitely a stock that should raise your interest.

CCP looks likes it could be about to make a good recovery from a mostly sideways consolidation for the last 10 months after gaining 100 per cent in mid-2016. The long-term primary signal looks well-correlated, though admittedly coming in early on a shorter-term signal which might make us a short-cycle early, but we expect longer-term strength to carry it forward.

We think you should take CCP into consideration.

Patrick Taylor heads Taylor Securities

CREDIT CORP GROUP LIMITED (CCP)

Classification: Corporate financial services
Current price: $17.56
Market capitalisation: $849m
Forecast EBITDA growth: 24.72%
Estimate gross yield: 3.32%
Consensus price target: $19.21
Covering analysts: 6
Discount at current price: 9.40%
Price target trend: Increasing-flat
Signal timeframe: Monthly-weekly-daily
Trend bias: Up-flat long-medium

INDICATORS

Short-term: Positive
Medium-term: Positive-neutral
Long-term: Positive-neutral
Recommendation: Buy
Focus: Dividend income and capital growth

SET-UP NOTES

- A strong historical performer with further excellent forecasting ahead of it, CCP tends to move in the stepped stages of rally-consolidation-rally.
- Another high-potential rally could be emerging here with the well-correlated long-term signal about to turn positive.
- Earnings growth was more than 20 per cent last year and similar is expected going forward, with some very attractive valuations reflecting its potential for capital gain and increasing dividends.
- We have resistance targets overhead at $18, $18.50 and $19 and support layered down from $17, $16.50 and $16 if needed.