WEALTH DESIGNERS ADVISORY

The Retirement Readiness *Guide*

What every pre-retiree needs to know before they stop work.

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AFSL 562647 · GENERAL INFORMATION ONLY

ABOUT THE AUTHOR

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Troy Gudgeon has spent more than twenty years advising Australians on superannuation, retirement income, and wealth strategy. As Founding Director of Wealth Designers Advisory — a self-licensed advice firm holding its own Australian Financial Services Licence — he works directly with pre-retirees and retirees to turn decades of saving into a retirement that lasts.

- **20+ years** advising clients on superannuation and retirement strategy
- **Master of Financial Planning** — Kaplan Professional
- **SMSF Specialist Advisor™ (SSA™)** — the SMSF Association's highest specialist designation
- **Member** of the Financial Advice Association Australia (FAAA)
- **Self-licensed** — Wealth Designers Advisory holds AFSL 562647, answering to no product manufacturer
- **Offices** in Barangaroo, Sydney and the Brisbane CBD

This guide draws together the firm's published insights on the questions that matter most in the five to ten years before you stop work: how to make the final contribution years count, whether a transition-to-retirement strategy stacks up, how to convert a nest egg into a pay cheque, how to protect that pay cheque from poorly timed markets, and whether a self-managed super fund deserves a place in your plan.

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CHAPTER ONE

1 Make the Final Years Count

Concessional contributions in the run-up to retirement

Every financial year that passes without maximising your concessional contributions is a missed opportunity that cannot be fully recovered. For pre-retirees, the final five to ten years before retirement are when disciplined contribution strategies have the greatest compounding impact on your eventual balance.

Understanding the concessional cap

Concessional contributions are contributions made into superannuation from pre-tax income. They include employer superannuation guarantee (SG) contributions, salary sacrifice contributions, and personal contributions for which you claim a tax deduction. Inside the fund, these contributions are taxed at 15% — significantly lower than most people's marginal tax rates.

For the 2025–26 financial year, the concessional contributions cap is **$30,000 per person**. It applies regardless of your age, employment status, or the number of super funds you hold, and it is a combined cap: employer SG, salary sacrifice, and personal deductible contributions all count toward the same limit.

> KEY POINT
>
> The $30,000 concessional cap includes all sources — employer SG, salary sacrifice, and personal deductible contributions. Exceeding the cap triggers additional tax at your marginal rate plus an excess concessional contributions charge. Always check your year-to-date position before contributing more.

Start by knowing where you stand

Before making any additional contributions, obtain your year-to-date concessional contributions figure from your fund's online portal — and remember that employer contributions can take several weeks to appear. As an illustration from the source article: someone earning $130,000 with an employer contributing 11.5% in SG receives approximately $14,950 in employer contributions over a full year, leaving roughly $15,050 of unused cap space to fill through salary sacrifice or personal deductible contributions.

Common pitfalls when calculating your position:

- **Bonus payments** — SG is paid on bonuses, which reduces your remaining cap space.
- **Multiple employers** — both employers' SG counts toward your single $30,000 cap.
- **Timing** — contributions count in the year your fund *receives* them, not when they leave your pay. Late-June contributions may not land until July.

The carry-forward opportunity

One of the most valuable provisions for pre-retirees is the carry-forward ("catch-up") rule. If your total superannuation balance was below **$500,000 on 30 June of the previous financial year**, you can use unused concessional cap amounts from the previous five financial years. The provision has applied since 1 July 2018, so a consistent under-contributor may have a substantial reserve available.

> **CARRY-FORWARD EXAMPLE**
>
> With a total super balance of $420,000 and $40,000 in unused cap from previous years, you could potentially contribute up to $70,000 in concessional contributions in one financial year ($30,000 current-year cap plus $40,000 carry-forward). At a marginal tax rate of 37%, the tax saving on $70,000 of concessional contributions versus taking that income as salary is approximately $15,400.

The most reliable source for your carry-forward amounts is your myGov account linked to the ATO — your super fund does not track this for you; only the ATO holds the consolidated data across all your funds. Note that the window closes progressively: unused amounts from 2020–21 drop off after 30 June 2026.

Two ways to contribute

Salary sacrifice. A formal arrangement with your employer redirects pre-tax salary into super each pay cycle. It is simple and automatic, but limited by the pay cycles remaining in the year — start late and you must sacrifice more from each remaining pay.

Personal deductible contributions. Since 1 July 2017, anyone under 75 can make a personal contribution and claim a tax deduction, regardless of employment status. It is the more flexible end-of-year option — a single lump sum directly to your fund. To claim the deduction you must lodge a Notice of Intent to Claim a Deduction (Section 290-170) with your fund, and receive the fund's acknowledgement, *before* lodging your tax return or starting a pension from that account. Miss this step and the contribution is treated as non-concessional, with no deduction. Allow at least 5–7 business days for transfers to be processed before 30 June.

Watch the interactions

- **Division 293 tax** — if your income plus concessional contributions exceeds $250,000, an additional 15% tax applies to the contributions over the threshold, taking the effective rate to 30%.
- **Transfer balance cap** — contributions grow your accumulation balance, but only an amount up to the transfer balance cap can later move into the tax-free pension phase (see Chapter Three).

> *"For someone on a marginal rate of 37%, every $10,000 of concessional contributions saves $2,200 in tax compared with taking that amount as salary."*

CHAPTER TWO

2 Winding Down Without Going Backwards

Transition-to-retirement strategies

For many Australians approaching retirement, there is an awkward gap between wanting to wind down at work and needing to maintain a liveable income. Transition-to-retirement (TTR) strategies bridge that gap — letting you access your super while still employed, without retiring fully.

What is a TTR pension?

A transition-to-retirement pension (also called a TTR income stream or TRIS) is a type of account-based pension you can start once you reach your preservation age, even though you have not permanently retired. It was introduced to give older workers flexibility: rather than a binary choice between full-time work and full retirement, you can draw an income from super to supplement reduced wages, or keep working full-time while restructuring your finances to build a larger balance.

Preservation age depends on your date of birth — it ranges from 55 (born before 1 July 1960) up to 60 (born on or after 1 July 1964). For most people making TTR decisions today, the effective preservation age is **60**.

How the drawdown limits work

When you start a TTR pension, a portion of your super moves from accumulation into a pension account, and you draw a regular income from it. The minimum annual drawdown is 4% of the account balance at 1 July each year (rising with age, as for a standard account-based pension). The critical difference is the ceiling: you cannot withdraw more than 10% of the balance in any financial year, and lump sum withdrawals are not permitted.

> KEY POINT
>
> TTR pension drawdowns are restricted to between 4% and 10% of the account balance per financial year, paid as a regular pension. Once you meet a full condition of release — retiring after preservation age, or turning 65 — the 10% cap falls away and the account converts to a standard account-based pension.

The salary sacrifice + TTR strategy

The most common and powerful use of a TTR pension is pairing it with salary sacrifice:

- **Step 1** — salary sacrifice a portion of pre-tax wages into super, taxed at 15% rather than your marginal rate.
- **Step 2** — commence a TTR pension and draw payments to make up the shortfall in take-home pay.
- **Step 3** — the net result: more money flows into super at a concessional tax rate while your after-tax cash flow stays roughly the same.

Before and after age 60

Before 60, TTR pension payments include a taxable component added to your assessable income, offset by a 15% tax rebate — the strategy can still work, but the savings are more modest. **After 60**, pension payments become entirely tax-free. You are sacrificing income that would otherwise be taxed at, say, 34.5% or 39% into super at 15%, while the replacement pension income attracts zero tax.

> *"The sweet spot for TTR strategies is generally between age 60 and 65, when pension payments are completely tax-free and the salary sacrifice tax arbitrage is at its widest."*

Why TTR lost some of its shine in 2017

Before 1 July 2017, investment earnings inside a TTR pension were tax-free. From that date, earnings within a TTR pension are taxed at up to 15% — the same as accumulation. The standalone tax benefit on earnings no longer exists, so a TTR pension now only makes financial sense as part of a broader strategy, typically combined with salary sacrifice or a genuine reduction in working hours.

When a TTR strategy makes sense

- **You want to reduce working hours** — supplementing a part-time salary is the mechanism's original and still legitimate purpose.
- **You are over 60 and salary sacrificing** — on a marginal rate of 34.5% or higher, the gap to the 15% contributions tax can, over a three- to five-year run into retirement, add tens of thousands of dollars to your balance.
- **You want to equalise super with a spouse** — combined with contribution splitting or spouse contributions, a TTR strategy can rebalance super across a couple, improving tax efficiency and Centrelink outcomes.

When it does not

- **Low marginal tax rates** — below about $45,000 of taxable income, the gap to the 15% contributions tax is minimal and complexity may outweigh benefit.
- **Little cap room** — if employer SG already consumes most of your $30,000 concessional cap, there is limited room for extra salary sacrifice.
- **Small balances** — the 4%–10% drawdown band may be too narrow to effectively replace sacrificed salary.
- **Approaching the transfer balance cap** — careful planning is needed to avoid complications when you later convert to a full retirement pension.

> **KEY POINT**
>
> A TTR strategy is not automatically beneficial. The savings depend on your marginal rate, age, balance, contribution capacity, and how long you intend to keep working. Personalised modelling is essential before committing, and the strategy should be reviewed each financial year.

CHAPTER THREE

3 From Nest Egg to Pay Cheque

Retirement income streams

You spend forty years building your superannuation. Then, almost overnight, the question flips: no longer "how do I grow this?" but "how do I turn it into a reliable income that lasts the rest of my life?" That shift — from accumulation to drawdown — is one of the most consequential, and most underestimated, transitions in personal finance.

The account-based pension: the workhorse

For most Australians, the foundation of retirement income is the account-based pension. You move some or all of your super into a pension account, and it pays you a regular income while the balance stays invested. The tax advantages are significant: once in the retirement (pension) phase, investment earnings inside the account are tax-free, rather than taxed at up to 15% as in accumulation. And once you are over 60, the pension payments you receive are also tax-free in your hands.

An account-based pension is not "set and forget", however. The government requires you to draw a minimum percentage of your balance each financial year, based on your age at 1 July — and if you draw less than the minimum, the account can lose its tax-free status for the year.

AGE	STANDARD MINIMUM DRAWDOWN
Under 65	4% of account balance
65 – 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 – 94	11%
95 or older	14%

These are minimums, not targets. There is no maximum on an account-based pension, so you can draw more in years you need it — but drawing too heavily early on is one of the surest ways to run short later.

The transfer balance cap

There is a limit on how much super you can move into the tax-free pension phase: the transfer balance cap, currently **$2 million per person** (it rose from $1.9 million on 1 July 2025 and is indexed to inflation over time). The cap is per individual, so a couple can hold up to $4 million between two pension accounts in the tax-free phase. Any super above your cap stays in accumulation, where earnings are taxed at up to 15%, or is held outside super entirely. For couples with uneven balances, planning how to use both caps is one of the most valuable exercises available.

Annuities: trading flexibility for certainty

An annuity works differently. In exchange for a lump sum, it pays a guaranteed income for a fixed term or for life, regardless of how markets perform. The appeal is certainty — a lifetime annuity protects against outliving your money. The trade-off is flexibility: capital is generally locked away, and you give up the upside of staying invested. Recent rules also give certain lifetime income streams favourable treatment under the Age Pension means test, which can make them more attractive than they first appear.

The hybrid approach

In practice, the best retirement income plans rarely rely on a single product. A common and sensible structure uses a guaranteed income stream — an annuity, perhaps combined with the Age Pension — to cover essential, non-negotiable living costs, and an account-based pension to fund everything else with flexibility and growth potential. Your essentials are secured no matter what markets do; your discretionary spending can flex with your circumstances.

> KEY POINT
>
> The order in which investment returns occur matters enormously in retirement. A run of poor returns in your first few years — while you are also drawing an income — can permanently damage how long your money lasts. This is sequencing risk, and it is the subject of the next chapter.

Don't forget the Age Pension

Even for those with substantial super, the Age Pension can play a role — and the way you structure your income streams directly affects your entitlement, because account-based pensions and annuities are assessed differently under the Centrelink income and assets tests. A well-designed plan considers super and the Age Pension together, not in isolation. For many retirees, a part Age Pension alongside their own income stream provides both an income floor and valuable concession-card benefits.

> *"The account-based pension will be the engine for most people, but the smartest plans layer in certainty where it matters, hold a buffer against bad timing, and coordinate with the Age Pension."*

CHAPTER FOUR

4 When Returns Arrive Matters

Sequencing risk and the drawdown strategy

"How much do I need?" is the question every pre-retiree asks. But one factor is often overlooked, and it can be the single greatest determinant of whether your money outlasts you: the order in which investment returns occur. This is sequencing risk — the risk that poor returns in the early years of retirement permanently impair your income, even if long-term average returns are perfectly acceptable.

Why drawdown changes everything

During your working years, the order of returns does not materially affect your final balance — provided you are not making withdrawals. In retirement, that changes fundamentally. When you are drawing a regular income, negative returns early on force you to sell more units at depressed prices to fund withdrawals. Those units are gone permanently; when markets recover, you have fewer units to benefit from the rebound. The damage compounds.

> THE MATHEMATICS OF SEQUENCING RISK
>
> Consider two retirees who both start with $800,000 and draw $50,000 per year. Retiree A experiences strong returns in years 1–5 and poor returns in years 6–10. Retiree B experiences the same returns in reverse order. After ten years, Retiree A has $620,000 remaining; Retiree B has just $410,000 — despite identical average returns over the decade. That $210,000 difference is entirely due to the sequence of returns.

Why the first five years matter most

Research consistently shows the first five to seven years of retirement are the period of greatest vulnerability — your portfolio is at its largest in absolute terms, and withdrawals have the greatest erosive effect. A 20% market decline in year one, combined with a $50,000 withdrawal, reduces an $800,000 portfolio to $590,000 — a 26% reduction in real terms. To recover, the portfolio now needs a 35.6% return (after the next year's withdrawal). By contrast, the same 20% decline in year fifteen — when the portfolio has been drawn down to, say, $400,000 — reduces it to $270,000: still painful, but a smaller absolute impact after fourteen years of income already enjoyed.

> *"You cannot control market returns. But you can control how your portfolio is structured to withstand poor returns at the worst possible time. That is what a drawdown strategy is for."*

The 4% rule — and its Australian limitations

The "4% rule", derived from William Bengen's 1994 US research, suggests a retiree can withdraw 4% of their initial balance annually (inflation-adjusted) with a high probability of the portfolio lasting 30 years. In an Australian context it has limits: our equity market is more concentrated and volatile than the US market; life expectancy keeps rising (a 65-year-old Australian male today has roughly a 50% chance of reaching 87, and a 25% chance of reaching 92); the Age Pension provides a safety net the US research never contemplated; and legislated minimum drawdowns (4% for ages 65–74, 5% for 75–79, and so on) may exceed what is sustainable for some portfolios. A well-structured drawdown strategy should be dynamic, not a rigid percentage applied indefinitely.

The bucket strategy: a practical framework

- **Bucket 1 — cash and near-cash (years 1–2):** 18 to 24 months of living expenses in cash or cash equivalents. This is the bucket you draw your income from; whatever markets do, your next two years of income is secure.
- **Bucket 2 — defensive assets (years 3–5):** three to five years of living expenses in high-quality fixed interest, government bonds, and other low-volatility income assets, periodically topping up Bucket 1.
- **Bucket 3 — growth assets (years 6+):** the remainder in Australian and international equities, property, and infrastructure. Because it will not be drawn on for at least five to seven years, it has time to recover from downturns.

> BUCKET STRATEGY IN PRACTICE
>
> For a retiree with $900,000 drawing $55,000 per year: Bucket 1 holds $110,000 (two years of income) in cash; Bucket 2 holds $165,000 (three years) in bonds and fixed interest; Bucket 3 holds $625,000 in a diversified growth portfolio. Even if Bucket 3 experiences a 30% decline, the retiree has five years of secured income to wait for recovery.

Getting the balance right

Shifting everything to conservative assets at retirement feels safe but introduces a different risk: insufficient returns to sustain withdrawals over 25 to 30 years. Indicative ranges from the source article: ages 65–70, 45–55% growth; ages 70–80, 35–45% growth; ages 80+, 20–30% growth — with the right mix depending on your balance, income needs, Age Pension eligibility, risk tolerance, and health.

Further practical defences include flexible spending (even a 10–15% reduction for a year or two of poor markets significantly improves sustainability), part-time work in the first two to three years, Age Pension planning, allocating a portion to a lifetime annuity for essential expenses, and regular rebalancing between buckets when markets are strong. A well-designed drawdown strategy does not guarantee perfect outcomes — but it provides resilience against the scenarios that cause the greatest harm.

CHAPTER FIVE

5 Is a Self-Managed Super Fund Right for You?

Control, obligation, and an honest assessment

Self-managed superannuation funds are the fastest-growing segment of Australia's super landscape — over 600,000 SMSFs holding more than $900 billion in assets. Yet for every fund that is well-run and genuinely serving its members, there is another established for the wrong reasons, under-resourced, or struggling with compliance.

What an SMSF actually is

An SMSF is a superannuation fund with no more than six members, where all members are trustees (or directors of a corporate trustee). Unlike an industry or retail fund, where professionals make investment decisions on your behalf, an SMSF places full responsibility for investment strategy, compliance, and administration on its members.

> KEY POINT
>
> An SMSF is not a product you buy — it is a trust structure you operate. As trustee you are personally responsible for compliance with superannuation law, tax law, and the fund's trust deed. The ATO can impose administrative penalties of up to $18,780 per contravention, and a fund made non-complying faces a tax penalty of 45% of its assets.

The genuine advantages

- **Investment flexibility and control** — direct property (subject to rules), unlisted investments, and bespoke mandates. For business owners, holding business real property inside the SMSF and leasing it back to the business is a particularly powerful strategy.
- **Tax planning precision** — full visibility over income, capital gains, and franking credits lets you time gains and manage the split between accumulation and pension phase for each member.
- **Estate planning control** — tailored binding death benefit nominations, reversionary pensions, and arrangements that give more certainty about where benefits end up and how they are taxed.
- **Cost efficiency at scale** — SMSF running costs are largely fixed, so the percentage cost falls as the balance grows; for larger balances an SMSF can be significantly cheaper than percentage-based fees.

When an SMSF is not the right choice

- **Insufficient balance** — there is no legal minimum, but the ATO and ASIC have both indicated that below $200,000 an SMSF is hard to run cost-effectively. Typical annual running costs of $3,000 to $7,000 (accounting, audit, ASIC fees, and advice) represent 1.5% to 3.5% on a $200,000 balance. Most advisers recommend $300,000 to $500,000 before an SMSF becomes genuinely cost-competitive.
- **Lack of engagement** — if you will not actively participate in investment decisions, review the strategy annually, and stay informed of regulatory change, an SMSF is likely to underperform a well-chosen industry fund.
- **Complexity without purpose** — if your approach is a diversified portfolio of shares, bonds, and cash, a low-cost industry fund may deliver the same result with far less administrative burden.
- **Single-member vulnerability** — without proper enduring power of attorney and succession planning, a single-member fund can become stranded if the trustee loses capacity.

> *"The best SMSF clients are not the ones with the largest balances — they are the ones who are genuinely engaged with their fund's strategy and understand that being a trustee is a responsibility, not just a privilege."*

What the law requires of trustees

Trustees must prepare and implement an investment strategy covering diversification, liquidity, the ability to pay benefits, insurance, and each member's circumstances; have the fund audited annually by an approved SMSF auditor and lodge its annual return on time; keep records for at least ten years; comply with the sole purpose test; keep fund assets strictly separate from personal and business assets; and report transfer balance account events to the ATO. These are legal obligations, not suggestions.

Governance, and the value of specialist advice

A well-governed SMSF has an up-to-date trust deed, an investment strategy reviewed at least annually and minuted, a clear trustee decision-making process, appropriate member insurance, and an incapacity and succession plan. Too many funds operate with outdated deeds and strategies last reviewed years ago — a regulatory risk and a strategic one.

When weighing up an SMSF, the qualifications of your adviser matter. The SMSF Specialist Advisor™ (SSA™) designation, awarded by the SMSF Association, is the highest recognised specialist designation in Australian SMSF advice, requiring rigorous specialist education, SMSF-specific ongoing professional development, and adherence to the Association's Code of Professional Conduct. The decision to establish — or continue operating — an SMSF should be made with clear eyes and qualified advice.

THE NEXT STEP

Ready to test your retirement readiness?

Reading about strategy is one thing. Knowing which strategies apply to *your* balance, *your* timeline, and *your* family is another. That is what personal advice is for.

Wealth Designers Advisory offers a **complimentary 30-minute Discovery Call** — a no-obligation conversation with Troy Gudgeon about where you stand today, the questions this guide has raised, and whether a structured retirement plan is the right next move for you. No products, no pressure; just a clear-eyed look at your position.

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