Retirement and Pensions

This document contains factual and general information only to assist you in understanding financial planning concepts. It is designed to be used in conjunction with a Statement of Advice.

So you have worked hard all your life, now it's time to slow down and enjoy your lifestyle fulltime!

In retirement there are a number of different products and strategies that can be utilised to help make your money last longer. These may be used in addition to any Government Age Pension entitlements that maybe available.

Products

Two common products used for retirement are Account based pensions and Annuities.

Account Based Pension Features	Annuity Features
Flexible pension payments	Guaranteed payments for either term of the annuity or lifetime of the annuity holder
Balance is assessed under the Income and Asset Test for Centrelink benefits	Your annuity payments are set when you purchase your annuity unless you elect market-linked payments. Payments may also increase with CPI
Rate of return based on investment options chosen within the pension	Rate of return based on interest rate at time of annuity
From age 60 no tax on returns or payments	Limited access to lump sum withdrawals in some annuities
Payments last only as long as there is money in the pension	For lifetime annuities, if annuity holder passes away after a certain time period the capital is lost
Ability to withdraw lump sums at anytime	Favourable social security treatment under both the Income and Assets Test for some annuities
If you pass away remaining balance passes to your estate or reversionary beneficiary	
Must take at least the minimum amount based on age	

Account Based Pension - How it works

An 'account based pension' account is set up with your superannuation funds and you receive regular income payments from the pension account. You are able to choose from a range of investments like managed funds, shares, term deposits.

The Rules

A minimum payment must be made to you at least annually. You can receive a regular income at intervals
of your choice (fortnightly, monthly, quarterly, six monthly or annually) depending on the provider.

The amount of the minimum annual payment depends on your age and the size of your account. It is set as a percentage of your account balance on the 1st July each year, and the percentage increases as you get older.

Age	Standard Minimum payment
55 - 64	4 %
65 - 74	5 %
75 - 79	6 %
80 - 84	7 %
85 - 89	9 %
90 -94	11%
95+	14 %

Transfer Balance Cap

The transfer balance cap is an individual cap that limits the amount of superannuation you can transfer into retirement income streams such as account based pensions where the earnings generated by the fund are exempt from tax. The transfer balance cap for the 2025/26 year is $2.0 million and this will apply to those starting a retirement income stream for the first time after 1 July 2025. For those already invested in a retirement income stream before this date, their personal transfer balance cap will be between $1.6 and $2.0 million depending on the amount invested.

Each member of a couple has their own personal transfer balance cap. As a couple, it is not possible to combine the caps.

A 'transfer balance account' is used to calculate how much of the transfer balance cap clients have used and therefore how much they still have available for investment into tax free retirement accounts in the future.

Debits and Credits

Some of the transactions that may impact your transfer balance account include:

Credit	Debit	No change to transfer balance account
Commence an account based pension or other retirement income stream with super funds	Rollback a pension to super	Pension payments
Superannuation death benefits paid as an income	Lump sum withdrawals from pension	Transition to Retirement pension until full condition of release met
Existing account based pensions and retirement income streams at 1 July 2017		Pension growth or loss

The transfer balance cap is indexed by CPI periodically in $100,000 increments.

Annuities

An annuity is an investment that pays a regular fixed income amount that is guaranteed for its term. It may be purchased with superannuation or ordinary money.
By purchasing an annuity at a time of low interest rates you are at risk of underutilising your purchase proceeds and receiving low real return over the period of the annuity.

Fixed Term Annuity

A Fixed Term Annuity pays a series of regular income payments for a fixed time period. Depending on the provider, you can choose the amount of 'residual capital value' upon the maturity. The residual capital value is the amount of money you wish to receive back at the maturity of your annuity investment. You can select between 0% -100%.

The amount of income payment is determined at the time of the application and guaranteed by the annuity provider for the term of the investment. Your adviser can provide you with the current earning rate and the level of income. As the payment is guaranteed for the term, no further income changes are allowed after commencement other than by indexation.

If you commute or withdraw the investment prior to maturity, the commutation value will depend on a number of factors such as the payments already made, the remaining term and the movement of interest rates. You should speak to your adviser prior to the withdrawal as this may impact on your entitlements such as Centrelink payments.

You can choose to nominate a 'reversionary annuitant' at the time of the application. It means the annuity will continue to be paid to another person after the death of the original owner.

Lifetime Annuity

A Lifetime annuity pays a series of regular income payments for your lifetime. A feature of lifetime annuities may include a 'guarantee period' which can be selected by the investor. If the annuity's owner was to die within a Guarantee Period, the income stream (or equivalent lump sum) will be paid to the nominated beneficiary or estate for the remaining term of the Guarantee Period.

The amount that the provider guarantees to pay at the end of the guarantee period is determined by a range of factors. There will be no capital returned to the estate or beneficiaries should you die outside the guarantee period.

Some product providers may allow you to withdraw the capital within a certain period only. However, there may be penalties and you may receive back less than the original investment amount.

Market-linked lifetime annuities may also be available from some providers. Instead of your regular income payments being locked in at the start of the investment, these annuities provide you with income that has the potential to increase over time.

However, payments are less predictable because they move up or down based on how your chosen market index is performing.

Beneficiaries

The treatment of beneficiaries varies with the terms of different annuities. Some lifetime annuities may have no residual value to pay out to a beneficiary. Others will provide a guaranteed payment of up to 100% of the purchase price to beneficiaries if the owner dies within a pre-determined period.

Where an annuity is purchased with superannuation funds, limitations are placed on who can be nominated as a beneficiary. Many annuity providers will offer binding nominations that provide certainty as to who will receive any residual balance upon death. Reversionary beneficiary options where the income payments continue to be made to a second annuitant are also readily available.

Please read the Product Disclosure Statement carefully or ask your adviser.

Centrelink Assessment

Annuities may receive favourable treatment under Centrelink rules depending on the features of the annuity.

For term annuities, if the term is greater than five years, any income payments received may only be partially assessed under the Income Test. The amount regarded as your return of capital or 'deduction amount' is not considered assessable income. Additionally, unless your term annuity is going to return 100% of your capital at maturity, the asset value of the annuity will reduce over time under the Asset Test.

From 1 July 2019, the Centrelink treatment of lifetime annuities changed. The following table outlines the treatment of lifetime annuities under both the income and assets test. The Declining Capital Access Schedule referred to in the table places limits on the amount of capital you can access from your lifetime annuity to the point that no capital can be accessed by the time you reach your life expectancy.

Means Test	Centrelink Assessment
Income Test	60% of income payments assessable for life of investment
Asset Test (where Declining Capital Access Schedule applies)	60% of purchase price assessable until age 84 then 30% of purchase price assessable for life of investment
Asset Test (where Declining Capital Access Schedule does not apply)	Greater of: 1. 60% assessment outlined above 2. current or future surrender value (eg any guaranteed return of capital) 3. Current or future death benefit value

Retirement Strategies

Useful strategies in retirement include:

- Transition to Retirement Pension
- Death benefit pension

Transition to Retirement (TTR) Pension

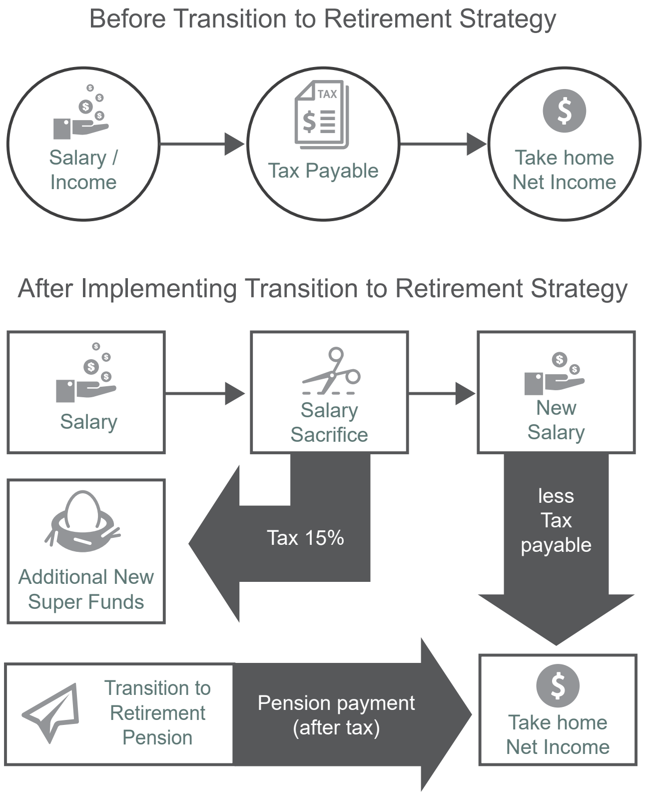
Upon reaching preservation age, you can access your superannuation using a TTR pension while you are still working. This pension could be used to reduce your work hours while still retaining the same take home income or you could contribute more to superannuation via a salary sacrifice arrangement or tax deductible contributions while receiving tax-effective income from your pension to supplement your reduced income.

Pension payments received from a TTR pension are tax-free as you must be over 60 to commence the pension.

TTR pension income limits are as follows:

Minimum standard Percentage Factor	Maximum Percentage Factor
4%	10%

While you are not able to make lump sum withdrawals from your TTR pension, you can roll back to superannuation at any time.



Death Benefit Pension

Superannuation death benefits can be taken as a lump sum, a pension or a combination of both. Only dependants under tax law can take the option of a pension. This includes a spouse, child under 18 or between 18 and 25 who is still dependent such as in full-time education, or someone who is financially dependent or in an interdependent relationship with the deceased at the time of death.

If a death benefit pension is commenced for a child, unless the child meets disability rules, the pension will need to stop and be converted into a lump sum when the child reaches age 25. This will be a tax-free lump sum.

There are several things to note regarding death benefit pensions:

- You cannot roll them back to superannuation
- They will always be taxed as super death benefits always
- Generally, they cannot be consolidated with other pensions
- You can move the funds from one provider to another.

There are different implications to the beneficiary's transfer balance cap depending on the type of death benefit pension received.

Reversionary Pension	All other death benefit pensions (non reversionary)
Account balance at date of death counts against recipient's transfer balance cap 12 months after death	Account balance at commencement of the new death benefit pension counts towards recipient's transfer balance cap.

Tax Treatment of Super death benefits

Benefit paid to a tax dependant

Age of deceased	Death Benefit paid as	Age of dependant	Taxation
Any age	Lump sum	Any age	Tax Free
Aged 60 or over	Income Stream	Any age	Tax Free
Below age 60	Income Stream	Age 60 or over	Tax Free
Below age 60	Income Stream	Below age 60	Taxable amount is subject to marginal tax rates reduced by 15% tax offset

Benefit paid to a tax non-dependant

Age of deceased	Death Benefit paid as	Age of dependant	Taxation
Any age	Lump sum	Any age	Taxable amount (taxed element) is subject to 15% tax plus the Medicare Levy Taxable amount (untaxed element) is subject to 30% tax plus the Medicare levy
Any age	Income Stream	Any age	This is not possible

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