

# Pre-retirement pension

## What is a Pre-Retirement Pension?

A Pre-Retirement Pension is available to clients who have reached the preservation age, and are still working either full or part time.

A Pre-Retirement Pension differs from a Retirement Pension in that:

- Annual payments must be a minimum of 2% of the person's account balance and no more than 10%, and
- Lump sum payments are not permitted.

## What are the tax benefits?

For people aged 60 or over, Pre-Retirement Pension payments are tax free.

For people under the age of 60, a portion of the payment will be subject to income tax but it will be eligible for a 15% tax offset. You should contact your super fund or financial planner to find out what portion of your Pre-Retirement Pension is subject to income tax.

Investment earnings in a Pre-Retirement Pension are generally taxed at 15%, but in most cases the actual tax paid is a lot lower when deductible expenses, franking credits, and other items are taken into consideration.

## How is my income calculated?

You can choose how much income you receive from your Pre-Retirement Pension at the start and change it at any time. However, the total income you receive each year must be between a minimum of 2% and a maximum of 10% of your pension money (also called 'capital').

## Is my pension money or income guaranteed?

Although Pre-Retirement Pensions allow you to select how your money is invested, they do not guarantee your money or the income level – these will vary with investment performance.

## How long will my pension money last?

This depends on a number of factors including:

- the amount you originally invest
- the amount of income you decide to receive each year
- how your chosen investment options perform, and
- the amount of fees deducted.

## Can I access my pension money?

No, Pre-Retirement Pensions are 'non-commutable' which means you cannot access the funds in the form of a lump sum (unless you have an unrestricted non-preserved component). However, once you satisfy a condition of release, your Pre-retirement Pension will revert to a Retirement Pension which means you will have access to all your money, including lump sum payments (refer to our Retirement Pension factsheet for more information).

## What happens when I die?

Upon your death, the entire balance in your pension will be paid out. You can make a nomination that will determine how your beneficiaries receive the balance of your account, and in what proportion. The options that are available include:

- Nominating a reversionary beneficiary, such as a spouse, who will continue to receive pension payments after you die, or
- Making a binding death benefit nomination to the person(s) you want your benefit to be paid to.

Before your pension starts, you can nominate your spouse as a reversionary beneficiary. This means that if you die with money in your account, your spouse will continue to receive your pension, as long as he or she is your spouse at the time of your death.

**You cannot change your reversionary beneficiary once your pension starts.**

If you do not wish to nominate a reversionary beneficiary (or the nominated reversionary beneficiary dies before you or ceases to be your spouse) you may make a binding death benefit nomination.

If you do not provide any details the death benefit will generally form part of your estate.

Please note that there may be tax implications depending on who the beneficiaries are.

## Transferring to a Retirement Pension

If you have a Pre-Retirement Pension and satisfy a condition of release, your account can be transferred to a Retirement Pension where tax on investment earnings is 0% (nil), and there are no restrictions on lump sum withdrawals.

To satisfy a condition of release, you must:

- be permanently retired (i.e. working less than 10 hours per week) on or after your Preservation Age, or
- have ceased work with an employer (e.g. changed jobs) after age 60, or
- have reached age 65.

If you need any assistance, please contact our Service Centre

→ 1300 963 720 (8:30am to 6pm AEST/AEDT, Monday to Friday)

→ [info@mylifemypension.com.au](mailto:info@mylifemypension.com.au)

→ [mylifemypension.com.au](http://mylifemypension.com.au)