Retirement Pension

my Life my pension

fact sheet

What is a Retirement Pension?

A Retirement Pension is an account based superannuation pension offering tax and Centrelink concessions while providing you with the option to select how your funds are invested. They generally suit investors seeking a tax effective income in retirement, flexibility in the level of income they want to have each year and access to capital throughout their retirement.

When can I start a Retirement Pension?

To start a Retirement Pension, you must:

- be permanently retired 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.

What are the tax benefits?

For people aged 60 or older, payments received from a Retirement Pension are tax free.

For people under the age of 60, a portion of your payment may 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 Retirement Pension is subject to income tax.

All investment earnings in a Retirement Pension are exempt from income tax.

$1.7 million transfer balance cap

The maximum amount you can transfer into a Retirement Pension is $1.7 million. If you have more than this in superannuation, you can only transfer $1.7 million to a Retirement Pension and the balance can remain in your super account.

Leaving excess money in super is tax effective

Amounts exceeding the $1.7 million cap do not have to be withdrawn from super. By keeping the excess in super, the earnings 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 Retirement Pension at commencement and in each subsequent financial year. You can change the amount of income you want at any stage during the year – the only obligation is that the total income you receive each financial year must meet the following minimum payment standards as set by the Government.

The Government has temporarily reduced the minimum annual payment required for account-based pensions by half until the end of the 2021/22 financial year.

This measure has been introduced to help minimise the impact of the recent market volatility due to COVID-19. It also offers you more flexibility to manage your pension.

The table below shows the minimum annual payment (a percentage of your pension money - also called 'capital') you are required to draw per year.

Age	Minimum annual payment*
Under 65	2.0%
65 – 74	2.5%
75 – 79	3.0%
80 – 84	3.5%
85 – 89	4.5%
90 – 94	5.5%
95 & over	7.0%

There are no maximum income limits applied to Retirement Pensions. However, if you are under age 60, there may be income tax implications depending on the amount of income you take.

Is my pension money or income guaranteed?

Although 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
- the amount of any withdrawals you make
- how your chosen investment options perform, and
- the amount of fees deducted.

Can I access my pension money?

Yes, you can withdraw funds from your pension at any time. All withdrawals from Retirement Pensions by persons over the age of 60 are tax free.

If you are under the age of 60, there may be some tax consequences and you should check with your super fund or financial planner about these.

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.

How does Centrelink treat pensions?

If you receive any benefits from Centrelink, the capital value of your pension is counted as an asset. How your Retirement Pension is assessed under Centrelink's income test can be based on a number of factors including when you commenced your Retirement Pension. A financial planner or Centrelink officer can help you determine how much income is counted.

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

→ mylifemypension.com.au

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