

Retirement Pension 2011/2012

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.

The following information explains the features and benefits of retirement pensions.

When can I start a retirement pension?

You can only start a retirement pension when you have reached preservation age (currently age 55) and meet one of the following conditions:

- You have permanently retired from the workforce;
- You are over 60 years of age and have ceased employment;
- You reach age 65 (whether you are working or not); or
- You have retired early due to disablement.

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. The total income you receive each financial year must meet the following minimum pension standards as set by the Government.

The Government will extend the pension drawdown relief into 2011/12, continuing the halved minimum pension drawdowns for superannuation pensions.

The table below shows the minimum annual payment (a percentage of your account balance) you are generally required to draw per year and the special arrangements for this financial year.

Age	Minimum annual payment	Minimum annual payment for 2011/12*
Under 65	4%	3%
65 – 74	5%	3.75%
75 – 79	6%	4.5%
80 – 84	7%	5.25%
85 – 89	9%	6.75%
90 – 94	11%	8.25%
95 & over	14%	10.5%

There are no maximum 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.

You can change the amount of income you want at any stage during the year – the only obligation is that the total income must meet the minimum thresholds outlined above.

Is my income guaranteed?

Although retirement pensions allow you to select how your funds are invested, they do not guarantee your capital or the income level – these will vary with investment performance.

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 pension provider to determine what portion of your retirement pension is subject to income tax.

All investment earnings in a retirement pension are exempt from income tax.

How long will my payments last?

This depends on a number of factors including:

- Amount you originally invest
- Amount of income you decide to receive each year
- Amount of any withdrawals you make
- How your chosen investment options perform
- The amount of fees deducted

Can I access my capital?

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 financial planner about these.

What happens when I die?

Upon death the entire balance in your pension will be paid out. The options that are available include:

- Nominate a reversionary beneficiary such as a spouse who will continue to receive pension payments after you die
- Make a binding death benefit nomination to the person(s) you want your benefit to be paid to, or
- 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. However, not all of the income you receive from a pension is counted under Centrelink's income test – this is determined by a formula and a financial planner or Centrelink officer can help you in this regard.