

Pre-Retirement Pension 2011/12

What is a pre-retirement pension?

A Pre-Retirement Pension is for those who have reached the age of 55 (preservation age), still working either full or part time and who want to maximise their super until they retire.

A Pre-Retirement Pension differs from an allocated pension in that:

- The recipient must be employed;
- Annual payments must be a minimum of 4%* of the person's super balance and no more than 10%; and
- Lump sum payments are not permitted.

* Note: The Government will extend the pension drawdown relief into 2011/12, continuing the drawdown relief for superannuation pensions.

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 to find out what portion of your pre-retirement pension is subject to income tax.

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

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 4%^ and a maximum of 10% of your super account balance.

You can change the amount of income you want at any stage – the only obligation is that the total income must meet the minimum and maximum thresholds.

^ 3% for 2011/12 financial year

Is my income or capital guaranteed?

Although Pre-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.

How long will my payments 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
- The amount of fees deducted.

Can I access my capital?

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 have retired and satisfy a condition of release, your pre-retirement pension will revert to a standard pension which means you will have access to your capital (refer to Fact Sheet – Catholic Super Retirement Pension for more information).

What happens when I die?

Upon death the entire balance in your Pre-Retirement 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.

More Information

Visit www.csf.com.au/pensions for more information on Catholic Super's Pension products or to speak to the Pension Service Centre call 1300 730 327.