

Superannuation pensions

Account based pensions

An account based pension is designed to provide you with a regular, tax effective income, as well as the opportunity to achieve capital growth and earnings on your portfolio within a tax-free environment.

Prior to 1 July 2017, individuals often commenced pensions under the transition to retirement rules where it was tax effective to do so. The transition to retirement rules have recently changed and you should carefully consider whether a pension should be commenced prior to retirement.

Fund rules

The super fund's ability to pay a pension depends on the fund rules, generally contained in the trust deed. Most modern trust deeds allow pensions to be commenced. Nonetheless, trust deeds can usually be amended if pensions are not permitted.

Starting or stopping a pension

You will need to make a request to the Trustee of the fund to start or stop a pension.

It is particularly important that appropriate and complete documentation is put in place to evidence the pension, and that the terms and conditions comply with the fund rules.

It should be noted that significant superannuation changes came into effect from 1 July 2017 that impact superannuation pensions. In particular, individuals will be limited in how much they are able to transfer into superannuation pension accounts. This limit was initially set at \$1.6m and will be indexed periodically.

Minimum pension

You are required to draw at least a minimum pension each year. The minimum pension is based on your account balance and age at the beginning of the financial year.

The minimum pension is calculated by multiplying your pension account balance at 1 July each financial year (or on the date the pension commenced in the first year) by the relevant percentage factor which is determined by age as outlined below:

Minimum annual payment amount

Age of pension recipient	Percentage factor
Under 65	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 94	11%
95 or more	14%

You have the option to increase the level of income paid above these minimum amounts, as well as the option to choose how frequently the income is paid.

The pension will normally be paid for as long as the capital lasts and this will depend on the long term returns achieved. You have the option to nominate a dependant, such as your spouse, to receive the pension after you die.

Taxation of pension payments

Generally pension benefits received on or after age 60 are exempt from tax.

Prior to age 60, some tax may be payable on the pension taken. Benefit payments are split into taxable and tax-free components. The taxable component will generally be taxed at the recipient's marginal tax rate less a 15% offset. The tax-free component is not subject to any tax.

Taxable component

The taxable component typically comprises the portion of your benefit made up of employer/concessional contributions and investment earnings.

Tax free component

The tax-free component usually comprises the portion of your benefit made up of non-concessional contributions.

Lump sum vs. pension

Accessing your super as a pension often produces a better overall result compared to taking a lump sum because of the tax savings on fund investment returns over time.

Further information

Please ask your regular Pitcher Partners contact or any of the contacts below for further information.



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