Account-based Pensions

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Fact Sheet introduction

This fact sheet explains the features and benefits of the two account-based pension products offered by AGEST. They are:

- the ***standard Pension*** *(account-based)* for those who have retired; and
- the ***transition to retirement Pension*** for those still working.

The *standard* pension

An ***account-based pension*** provides a tax-effective and flexible retirement income stream for your superannuation savings. They provide full access to capital and are the most popular type of retirement income stream product in Australia. Generally, retirees aged 55 or more can commence an account based pension. An account-based pension has no tax on investment earnings and has significant tax concessions on the income stream payment.

When can I start a account-based pension?

- When you have reached your preservation age (currently age 55) and have retired from the workforce.
- If you are aged 60 or more and have ceased employment.
- If you have reached age 65 (whether you are working or not).
- If you have retired early due to disablement or invalidity.

Note: If you have reached your preservation age and continue working, you can access the Transition to Retirement pension. For more information on receiving a pension whilst working beyond your preservation age, please refer to page 2 of this fact sheet.

What funds can I invest into an account-based pension?

- Only super monies can be invested into an account-based pension.
- No further superannuation monies can be added to an account-based pension once it is established.

What are the tax benefits of an account-based pension?

- Tax-free pension payments to individuals aged 60 and over.
- Tax-free component received tax-free for individuals aged under 60.
- A 15% rebate on the taxable amount of the income stream received for individuals under age 60.
- No tax applies on investment earnings and all franking credits received are added to the relevant pension unit prices.

Do I have access to my capital?

- Yes. Unlike many other income stream products such as Term Allocated Pensions (TAPs) and Annuities where your investment can be locked away, with an account-based pension you have full access to your capital investment at any time.

How long does an account-based pension last?

- The longevity of an account-based pension depends on a number of factors including:
  - **The level of pension being drawn down.**
  - **How well the underlying investments perform.**
  - **How many lump sum withdrawals (commutations) are taken out of the pension (if any).**
- To get an estimated projection of an account-based pension benefit, use the Account-based Pension calculator on the Australian Securities and Investments Commission's (ASIC) website: **www.moneysmart.gov.au**

How much income can I receive from an account-based pension?

- Regular pension payment amounts must meet at least the minimum thresholds which are determined by your age and account balance on commencement of your pension and thereafter on 1 July each year.

AGE	MINIMUM % 2010/2011	MINIMUM % 2011/2012	MINIMUM % 2012/2013
Under 65	2%	3%	4%
65 - 74	2.5%	3.75%	5%
75 - 79	3%	4.5%	6%
80 - 84	3.5%	5.25%	7%
85 - 89	4.5%	6.75%	9%
90 - 94	5.5%	8.25%	11%
95 and over	7%	10.5%	14%

What will be my pension payments if I commence part-way through a financial year?

It will depend on the payment type you choose.

Minimum: Your payments will be pro-rated for the remainder of the financial year. For example, if you commence a pension on 1 January, your minimum amount will be divided by two (for the remaining six out of twelve months) and divided by the remaining number of payments until 30 June.

Other amount (per payment): You will be paid the amount nominated per payment, provided this meets the minimum required (pro-rated).

Does AGEST have an account-based pension?

- Yes. The AGEST Pension provides the same range of investment choice as for all other members and provides reversionary and binding death benefit nominations.
- For further details, download a copy of the AGEST Pension Product Disclosure Statement (PDS), please visit our website at **www.agest.com.au/pds** or call 1300 724 378.

Transition to retirement (Non-Commutable) account based pension

If you have reached your preservation age (currently age 55) but are still working, you cannot establish a standard account based pension as outlined on the previous page. But the good news is that, if you want to start drawing down a pension from your superannuation savings, you can establish a **transition to retirement** account based pension instead. When you establish a transition to retirement account based pension, lump sum withdrawals ("commutations") are not allowed and there is a maximum limit on annual pension payments.

Does AGEST offer a transition to retirement account-based pension?

Yes. It has the same low fee structure and same investment options as the standard account-based pension (see previous page).

Who might consider a transition to retirement account-based pension?

- Anyone wishing to increase their level of income in addition to their salary.
- Anyone wishing to reduce their overall level of tax by structuring their income sources more effectively (eg in conjunction with salary sacrifice contributions).
- Anyone wishing to reduce their working hours but not their income.

How does a transition to retirement account-based pension differ from the standard account-based pension?

They are very similar products and, most importantly, share the same tax benefits (see previous page). However *transition to retirement* account-based pensions are different in two ways:

- Lump sum withdrawals (commutations) are not allowed.
- Pension payments are limited to 10% of the account balance each year.

When any of the following occur, your *transition to retirement* account-based pension converts to a **standard** account-based pension, after which lump sum withdrawals are allowed and no maximum pension limits apply:

- You permanently retire.
- You are aged 60 or more and your employment terminates.
- You reach age 65.
- You become permanently incapacitated.

Watch out for high fees in other funds' transition to retirement account-based pensions

- When thinking about converting to a **transition to retirement** account-based pension, some people do not take account of the cost of the pension product. In many funds, high costs can significantly reduce any tax benefits as their pension product costs can be a lot higher than their superannuation account from where the money to start the pension is being transferred.
- **However, this is not the case with AGEST**. Our pensions have the same low fees as our superannuation accounts, so there are no additional costs in moving from an AGEST superannuation account into an AGEST account-based pension account.

Transition to retirement and salary sacrifice

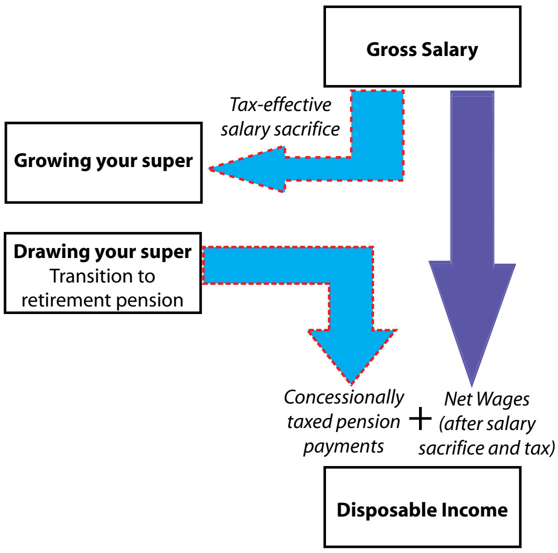
Many people establish a transition to retirement account-based pension in conjunction with making salary sacrifice contributions to their superannuation fund. The combination of the tax effective pension and concessionally taxed salary sacrifice contributions may enable you to reduce your income tax but not your level of income.

How are salary sacrifice contributions taxed?

- Contributions tax of 15% is deducted automatically when salary sacrifice contributions are received by the fund. The difference between this low rate of tax compared to your normal marginal income tax rate is where a significant amount of tax can be saved.
- Salary Sacrifice contributions are not subject to Fringe Benefits Tax (FBT).

For more information on salary sacrifice, including limits and taxes on draw-downs, please refer to our salary sacrifice fact sheet.

Transition to retirement illustration



Is transition to retirement appropriate to my situation?

- The viability of this strategy depends on many issues including your age, income requirements, level of salary, ability to salary sacrifice and your superannuation components.

Please note: as with any financial investment, it is very important that before implementing any arrangements, you consider seeking financial advice to ascertain whether a transition to retirement strategy will benefit your situation.

Want more information ?

You may wish to attend one of our many seminars run throughout the country. For more information on our seminars or to register, please go to www.agest.com.au or email seminars@agest.com.au.

You can contact our Member Services Manager, Louise Aracas on (03) 9674 9321 or email louise.aracas@agest.com.au

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