

Transition to retirement

What is transition to retirement?

Transition to Retirement is a Government initiative which allows superannuation fund members who have reached their preservation age to access their benefits as a non-commutable income stream while they are still working.

What is my preservation age?

Your preservation age varies depending on your date of birth as shown in the table below. Even if your employment conditions specify a minimum retiring age of 50, your preservation age is still determined by the table to the right.

Date of birth	Preservation age
Before 1/07/60	55
1.7.60 to 30.6.61	56
1.7.61 to 30.6.62	57
1.7.62 to 30.6.63	58
1.7.63 to 30.6.64	59
1.7.64 or later	60

What is a standard income stream?

An income stream (or pension) is a regular payment of your superannuation savings to replace your working income.

If you have retired you can nominate an amount of money (at least \$50,000) to be transferred/rolled-over from a standard superannuation account into an AvSuper income stream account.

There is a minimum percentage which must be taken each financial year and this varies according to age as shown in the table below. There is no maximum annual payment that can be taken - other than your account balance, of course.

Age range	Minimum annual income stream payments - percentage of account balance
Under 65	4%
65 - 74	5%
75 - 79	6%
80 - 84	7%
85 - 89	9%
90 - 94	11%
95 or older	14%

Payments are generally made monthly but they can be made less frequently if preferred, e.g. quarterly or as one annual payment.

The annual amount chosen can be varied during the year but must remain above the minimum percentage. In addition to the regular payments, lump sum withdrawals can also be made from an income stream account.

Example

Lucy is 61 and has retired. She transfers her \$300,000 superannuation into an income stream account. She must take an annual income of \$12,000 but she may nominate a larger amount. The annual amount is pro-rated in the first year of payment so if Lucy commenced the income stream from 1 January she would only be required to take \$6,000.

DRAWDOWN RELIEF

The Federal Government has provided temporary drawdown relief for income stream members for 2008/09 and 2009/10, meaning members can drawdown (withdraw) only half of their projected minimum if they wish. The relief is designed to lessen the effect of realising investment losses in the current market.

What is a transition to retirement income stream?

Members who have not yet retired, but have reached their preservation age, can also access an AvSuper transition to retirement (non-commutable) income stream. It has all the features of a standard income stream except there is a maximum annual payment of 10% of the account balance and no lump sum withdrawals can be made. A minimum of \$50,000 is required to open a transition to retirement income stream.

FS0800.3 12.2009

GPO Box 367 Canberra, ACT 2601
Email: avsinfo@avsuper.com.au
Freecall: 1800 805 088
Phone: 02 6268 4722 Fax: 02 6268 4469

AFSL No. 239078 | ABN 84 421 446 069

This information is of a general nature only and does not take into account your personal objectives, situation or needs. Before making a decision about AvSuper, you should consider your own requirements and the relevant Product Disclosure Statement (PDS). For a copy call us or visit the AvSuper website, www.avsuper.com.au. AvSuper Pty Ltd (ABN 46 050 431 797, AFSL 239078) is the Trustee of the AvSuper Fund (ABN 84 421 446 069).

www.avsuper.com.au

What concessional tax treatment is applied to income streams?

The following concessions apply equally to standard and transition to retirement income streams.

- A. Earnings on income stream accounts are not subject to tax.
- B. Superannuation account balances may have a tax-free component and a taxable component. The tax-free component generally represents the superannuation accrued prior to July 1983 (as determined at 1 July 2007), plus any after tax contributions made since July 1983. The remainder of the account balance is the taxable component. Income stream payments are drawn proportionately from the tax-free and taxable components. If you are aged at least 60 you will pay no tax on an income stream. If you are aged between 55 and 59, the income drawn from your tax-free component will not be subject to tax. The income drawn from the taxable portion of your account will be taxed at the normal rates but you are entitled to a rebate of up to 15% of this income.

Example 1

61 year old Lucy nominates an annual income stream of \$30,000. She will pay no tax on this and will not have to disclose this income on her Tax Return.

Example 2

57 year old Robert nominates an annual income of \$30,000. His \$300,000 account balance has a \$100,000 tax free component and \$200,000 taxable component. Therefore \$10,000 of his income stream will be attributable to his tax free amount and will not be taxed, nor will he have to include this part of his income in his tax return. \$20,000 of the income is attributable to the taxable component of his account and will be subject to tax.

He will, however, be entitled to a rebate of up to \$3,000 (15% of \$20,000) on the tax he is required to pay for the year. If the income stream was his only source of income, his tax payable would be \$2,100. He is entitled to a rebate of up to \$3,000 so he would pay no tax. He would not receive a refund for the difference between the tax payable and the tax rebate. If Robert is still working, his other income must be taken into account in determining the tax payable on the pension. The rebate can be used against tax payable on other income.



Why would people choose to access their superannuation before retirement?

There are a number of reasons why people are accessing the Transition to Retirement arrangements:

- To ease into retirement by working part-time and supplementing their reduced salary with an income stream
- To increase their retirement savings by sacrificing more of their salary into superannuation while replacing this foregone salary with the more tax effective income stream
- To enjoy tax free investment earnings by having their superannuation funds in an income stream account

How will taking a Transition to Retirement Income Stream affect my membership?

Accumulation

We will simply reduce your account balance by the amount that you ask to be transferred to an income stream. You cannot add to an income stream account and, therefore, any employer contributions or contributions you may be making would continue to go to your accumulation account.

Defined Benefit

We would reduce your accrued benefit multiple to take account of the amount you asked to be transferred to an income stream account. Your future benefit accrual would continue in the standard way.

Defined benefit members employed by Airservices Australia may move from the defined benefit fund to the accumulation division prior to requesting an income stream if they prefer.

What if I no longer want the income stream?

If you decide you no longer want the income stream, you simply ask that it cease and the remaining balance of the income stream account will be transferred back to your standard superannuation account. However, if you are a defined benefit member the balance will go into an accumulation account, not back into your defined benefit.



Can I add money to my income stream account?

Once an income stream starts, you can't add any money to this account. To add further money, you will need to stop the income stream, and transfer the balance and any additional money to a standard superannuation account, and then purchase a new income stream.

You may also choose to have more than one income stream if necessary.

What if I access an income stream under the Transition to Retirement arrangements and then later retire?

Having accessed this income stream doesn't in any way impact on your standard retirement options. You can take part or all of the balance of your accounts as a lump sum or you can continue your income stream without the drawdown restrictions of a transition to retirement income stream.

How do I commence a Transition to Retirement income stream?

Simply send us a completed Retirement Income Stream Application (available from our website); if you are under 60, complete and send us the ATO's Tax File Number Declaration as well.

The Transition to Retirement arrangements are now available to all AvSuper members and the public over preservation age!