

# Working Income Streams

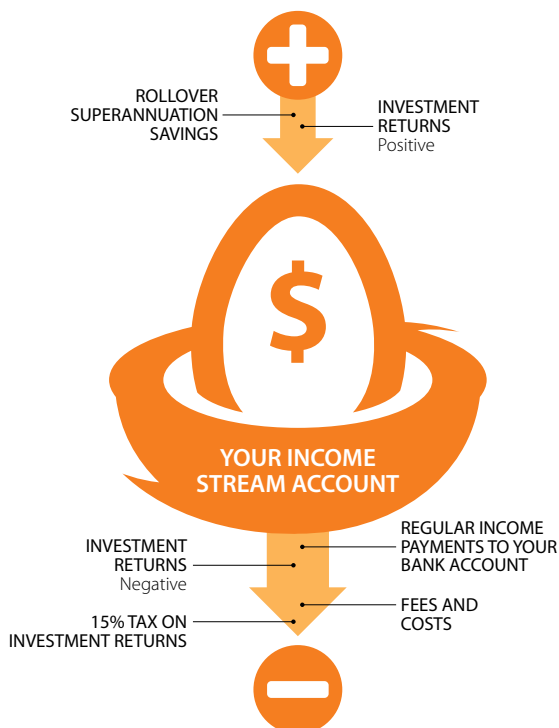
An ESSSuper Working Income Stream can provide a simple source of regular income from your super, whilst you continue to work. You may be looking to slow down as you transition to retirement, or you may be looking for a way to increase your end benefit.

## Who would use a Working Income Stream?

A Working Income Stream may be suitable if:

- you have reached your preservation age, and wish to remain in the workforce, whilst receiving a regular income.
- you are looking to reduce your working hours, but want to supplement your reduced salary with payments from an income stream.
- you are able to manage the risks associated with investing in an income stream.

The diagram below shows how a Working Income Stream might operate.



## How do Working Income Streams work?

A Working Income Stream (often called a Transition to Retirement allocated pension or TTR) is a superannuation product that can be used to convert some or all of your lump sum super into a regular source of income, whilst you continue to work in either a full or part time capacity.

To open an ESSSuper Working Income Stream you need to rollover a minimum of \$50,000 of your superannuation benefit. You then nominate to receive regular income payments such as fortnightly or monthly to suit your needs.

You can select the level of income you need, but legislation dictates minimum and maximum pension payment amounts. Normally, you can elect pension payments between 4% and 10% of your account balance per financial year. However, the Federal Government has temporarily reduced superannuation minimum drawdown requirements for account-based pensions by 50% for the 2020, 2021 and 2022 financial years in its response to Coronavirus. Up until 30 June 2022, you can elect pension payments between 2% and 10% of your account balance for your Working Income Stream. The temporary minimum of 2% will be revised up automatically from 2% to 4% from 1 July 2022. The percentages are based on your age and account balance at commencement and at 1 July each year.

You must have reached your preservation age to be able to use a Working Income Stream.

Your preservation age is determined by your date of birth as shown in the table below.

Birth date	Preservation Age
Before 1/7/1960	55
1/7/1960 to 30/6/1961	56
1/7/1961 to 30/6/1962	57
1/7/1962 to 30/6/1963	58
1/7/1963 to 30/6/1964	59
1/7/1964 and after	60

ESSSuper Defined Benefit members will be eligible to convert part of their accrued benefit to a Working Income Stream. Members may use a minimum of 20% of their accrued benefit up to a maximum of 50%. If a member elects to take up this option, their accrued multiple and accrued benefit will reduce proportionally.

These requirements and restrictions apply to the ESSS Defined Benefit Fund. Accumulation Plan accounts or any other super however, can usually be transferred to start a Working Income Stream.

## The benefits of a Working Income Stream?

- If you are 60 years of age or over, all pension payments are tax free.
- If you are between your preservation age and age 60, any pension payment received (other than any tax free component) is taxable, but a 15% tax offset may reduce any tax liability on this (and other) income.
- You can choose up to nine investment options which range from shares to cash.
- You can choose the frequency of pension payments – from fortnightly through to annually.
- You can select the level of pension payments you need, but legislation dictates this must be between 2% and 10% of your account balance for the 2020, 2021 and 2022 financial years. The percentages are based on your age and account balance at commencement and at 1 July each year.

## How long will my money last?

How long your Working Income Stream lasts, depends on the amount of money you start with, the rate at which you withdraw a pension payment, and other factors such as investment returns and fees. There is no guarantee your Working Income Stream will provide an income for the rest of your life. Payment will only continue to be made until your account balance is exhausted.

Ensuring you plan and budget appropriately may assist with helping your money last. Our *Lifetime Super Modeller* may be of help. Check it out at [esssuper.com.au/calculators](https://esssuper.com.au/calculators)

In the event of your death, and depending on your prior instructions to us, any funds remaining in your account, will be paid as:

- an income stream to a spouse<sup>1</sup>, or
- a lump sum to dependants or your estate.

The Working Income Stream is dependent on investment returns from year to year. Investment returns can be positive or negative and as a result will have an effect on the balance of your Income Stream. These payments are deducted from your balance. These factors will also govern how long your Income Stream will last. They are not guaranteed for life or underwritten by the Victorian Government.

## Things to consider

- Centrelink has a different treatment of income streams compared to accumulation style superannuation. For some members, an income stream may be treated favourably, for others this may not be the case. For more information contact Centrelink on 13 23 00 or consult an ESSSuper Financial Adviser.<sup>2</sup>
- Your account balance may be affected by market fluctuations. It is important to try to match your tolerance for risk, with your choice of investment options. Our *Thinking of changing investment options?* brochure, available on our website at [esssuper.com.au/publications](https://esssuper.com.au/publications), may assist you with this.
- As with other types of super, you can't withdraw lump sums until you satisfy a condition of release, retire once you have reached your preservation age or cease employment after age 60.
- The Working Income Stream does not count towards an individual's lifetime transfer balance cap and earnings are taxed at 15%. The lifetime transfer balance cap of \$1.7 million for 2021/22 is the total amount an individual can retain or transfer into a Retirement Income Stream where earnings are exempt from taxation. From 1 July 2021, every individual will have their own personal transfer balance cap of between \$1.6 and \$1.7 million, depending on how much super they have transferred to their retirement income stream into a retirement phase income stream before 1 July 2021. When you reach age 65, we will automatically transfer you from a Working Income Stream to a retirement Income Stream effective from the first day of the month following your 65th birthday.

- 1 For conditions and information about reversionary nominations, please refer to the *Income Streams Product Disclosure Statement* available on our website at [esssuper.com.au/pds](https://esssuper.com.au/pds)
- 2 ESSSuper Financial Advisers are authorised representatives of Link Advice Pty Ltd (Link Advice). Link Advice holds a current Australian Financial Services Licence No. 258145 and is responsible for the financial services provided to you by it or its authorised representatives. ESSSuper has an arrangement with Link Advice Pty Ltd to provide financial advice to ESSSuper members. ESSSuper pays Link Advice a fee for this service. Neither the Board, nor the Victorian Government, guarantee or endorse any recommendations made by Link Advice or its authorised representatives, or are responsible for the advice and actions of Link Advice or its authorised representatives.

## More information

For further information please download the ESSSuper *Income Streams Product Disclosure Statement* available on our website at [esssuper.com.au/pds](https://esssuper.com.au/pds), or you can contact our Member Service Centre on 1300 650 161 (emergency services members) or 1300 655 476 (state super members).

## Proudly serving our members

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