

# Retirement Income Streams

An ESSSuper Retirement Income Stream can provide a simple, tax effective source of regular income in your retirement.

## Who would use a Retirement Income Stream?

A Retirement Income Stream is suitable if:

- you have reached your preservation age\* and retired from the workforce or met a condition of release, and need a regular source of income.
- you are able to manage the risks of investing in an Income Stream.
- you want to utilise the tax efficiencies associated with taking an income stream.

Birth date	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

## How do Retirement Income Streams work?

A Retirement Income Stream (often called an account based pension or an allocated pension), is a superannuation product that can be used to convert some or all of your lump sum super into a regular source of income during retirement.

To open an ESSSuper Retirement Income Stream you need to rollover a minimum of \$50,000 of your accessible (unrestricted non-preserved) superannuation benefit<sup>†</sup>. You then nominate to receive regular income payments, such as fortnightly or monthly, to suit your needs.

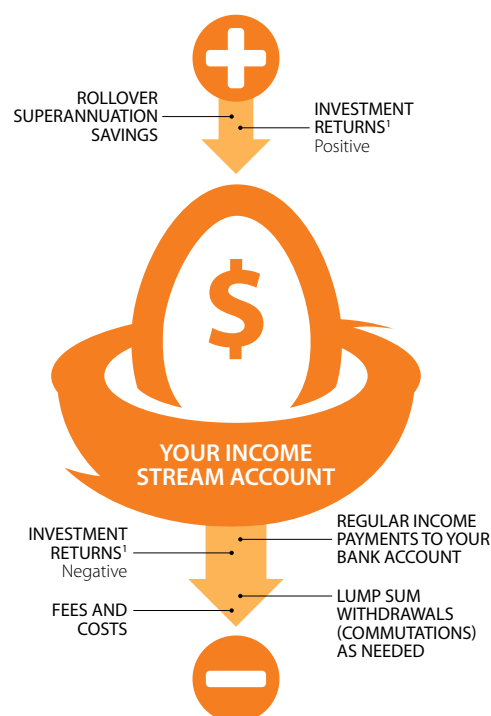
\* Your preservation age is determined by your date of birth as shown in the table below.

† You should check any relevant exit fees you may incur, or any insurance arrangements that may be forfeited, or any other effects this transfer may have on your benefits before rolling your money into our fund.

<sup>1</sup> The 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 govern how long your Income Stream will last. They are not guaranteed for life or underwritten by the Victorian Government.

<sup>2</sup> Term deposits are 'locked in' for the term of the investment. Any income payments must be drawn from the other investments in your account.

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



## What are the benefits of a Retirement Income Stream?

- There is no tax payable on any investment earnings in your account up to the transfer balance cap. (see overleaf)
- 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 payments received (other than any tax free component) is taxable, but a 15% tax offset may reduce any tax liability you may have on this (and other) income.
- You can choose up to ten investment options which range from shares to cash. You can also select a term deposit<sup>2</sup> option for a fixed investment return. You choose the mix that suits your circumstances.
- You can withdraw lump sums as required but these are taxed as pension income payments for taxation purposes.

- You can choose the frequency of payments.
- The opportunity to invest in an income stream product with a SuperRatings “Platinum” rating – the highest industry rating<sup>3</sup>.
- You can select the level of income you need, however there are minimum amounts prescribed that you must take each year.

These range from 4% of your account balance if you’re under age 65, and increase to 14% at age 95 or over. The percentages are based on your age when you commence the Income Stream and 1 July each year.

Age	Standard minimum payment %
Under 65	4
65 – 74	5
75 – 79	6
80 – 84	7
85 – 89	9
90 – 94	11
95 or over	14

## How long will my money last?

How long your Retirement Income Stream lasts, depends on the amount of money you start with, the rate at which you withdraw income (or lump sums), and other factors such as investment returns and fees. There is no guarantee your Retirement Income Stream will provide an income for the rest of your life and 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 able to help you plan where you would like to be. Check it out at [esssuper.com.au/calculators](http://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, or de-facto spouse<sup>4</sup>, or
- a lump sum to your dependants or your estate.

### Case study

Ian is retiring at age 58 and is rolling over \$300,000 of his lump sum superannuation benefit to an ESSSuper Retirement Income Stream. While he must take at least 4% of his balance, Ian instead elects to take a greater income of \$1,000 per fortnight.

As this is Ian’s only income, he has no tax to pay. This is because the 15% tax offset is greater than the tax payable on the \$1,000 per fortnight he receives. There is also no tax being paid on the investment earnings within his fund.

## Things to consider

### Transfer Balance Cap

The total amount you can retain or transfer into a Retirement Income Stream Account where earnings are exempt from taxation has been capped (Transfer Balance Cap is \$1.6 million for the 2018-19 financial year). If you have more than the Transfer Balance Cap, the ATO will send you an assessment notice that instructs you to either:

- Withdraw the amount in excess of the \$1.6 million cap; or
- Transfer the excess to an accumulation phase account.

From 1 July 2017, the ATO will calculate notional earnings on any amount in excess of the Transfer Balance Cap (\$1.6 million in 2018-19 financial year) in a retirement income stream in the retirement phase. The notional earnings on the excess amount will be liable for the excess transfer balance tax of 15% until the excess amount is removed.

From 1 July 2018, the Excess Transfer Balance tax rate is 15% for the first time that you breach the cap and then 30% for subsequent breaches of the cap. Pension payments you receive and any fees you pay do not reduce your transfer balance cap and investment returns do not increase your transfer balance cap. Only lump sum withdrawals or transfers back to the accumulation phase can reduce the balance counted toward your transfer balance cap.

### The age pension

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>5</sup>

For more information contact Centrelink on 13 23 00 or log on to [www.humanservices.gov.au](http://www.humanservices.gov.au) or consult an ESSSuper Financial Adviser.

### Investment market movement

Your account balance may be affected by market fluctuations. It is important to match your tolerance for risk with your choice of investment options. Our brochure *ESSSuper Investment Choice and Fees* may assist you with this. As noted above, investment fluctuations do not affect your transfer balance cap.

For more information please contact our Member Service Centre on 1300 650 161 (emergency services members) or 1300 655 476 (state super members). ESSSuper’s *Income Streams Product Disclosure Statement* can be downloaded at [esssuper.com.au/pds](http://esssuper.com.au/pds)

<sup>3</sup> Superannuation research and rating organisation SuperRatings, has given our Accumulation Plan and Income Stream products a Platinum rating (the highest rating possible) for 7 and 10 years respectively. Check out our SuperRatings report at [esssuper.com.au/SuperRatings](http://esssuper.com.au/SuperRatings).

<sup>4</sup> For conditions and information about reversionary nominations please refer to the Income Streams Product Disclosure Statement on our website.

<sup>5</sup> Adviser Network holds a current Australian Financial Services Licence (AFSL) No. 232729 and is responsible for the financial services provided to you. ESSSuper has contracted Adviser Network to provide authorisation under the Adviser Network AFSL for the provision of personal financial advice services to ESSSuper members. Adviser Network is paid a fee by ESSSuper for this service. Neither the Board, nor the Victorian Government, guarantee or endorse any recommendations made by Adviser Network Pty Ltd, or are responsible for the advice and actions of Adviser Network Pty Ltd.



