



Retirement and Pensions

This document contains factual and general information only to assist you in understanding financial planning concepts. It is designed to be used in conjunction with a Statement of Advice.

So you have worked hard all your life, now it's time to slow down and enjoy your lifestyle fulltime!

In retirement there are a number of different products and strategies that can be utilised to help make your money last longer. These may be used in addition to any Government Age Pension entitlements that maybe available.

Products

Two common products used for retirement are Account based pensions and Annuities.

| Account Based Pension Features | Annuity Features |
|--|---|
| Flexible pension payments | Guaranteed payments for either term of the annuity or lifetime of the annuity holder |
| Balance is assessed under the Income and Asset Test for Centrelink benefits | Your annuity payments are set when you purchase your annuity. These may be increased by CPI |
| Rate of return based on investment options chosen within the pension | Rate of return based on interest rate at time of annuity |
| From age 60 no tax on returns or payments | Limited access to lump sum withdrawals in some annuities |
| Between 56-60 15% tax offset | For lifetime annuities, if annuity holder passes away after a certain time period the capital is lost |
| Payments last only as long as there is money in the pension | |
| Ability to withdraw lump sums at anytime | |
| If you pass away remaining balance passes to your estate or reversionary beneficiary | |
| Must take at least the minimum amount based on age | |

Account Based Pension - How it works

An 'account based pension' account is set up with your superannuation funds and you receive regular income payments from the pension account. You are able to choose from a range of investments like managed funds, shares, term deposits.

The Rules

A minimum payment must be made to you at least annually. You can receive a regular income at intervals of your choice (fortnightly, monthly, quarterly, six monthly or annually) depending on the provider.

The amount of the minimum annual payment depends on your age and the size of your account. It is set as a percentage of your account balance on the 1st July each year, and the percentage increases as you get older.

| Age | Standard Minimum payment |
|---------|--------------------------|
| 55 - 64 | 4 % |
| 65 - 74 | 5 % |
| 75 - 79 | 6 % |
| 80 - 84 | 7 % |
| 85 - 89 | 9 % |
| 90 -94 | 11% |
| 95+ | 14 % |

Transfer Balance Cap

The transfer balance cap is an individual cap that limits the amount of superannuation you can transfer into retirement income streams such as account based pensions where the earnings generated by the fund are exempt from tax. Each member of a couple has their own personal transfer balance cap which for the 2018/2019 year is \$1.6 million. As a couple, it is not possible to combine the caps.

A 'transfer balance account' will be used to calculate how much of the transfer balance cap clients have used and therefore how much they still have available for investment into tax free retirement accounts in the future. A credit and debit system will be used on the transfer balance account.

Debits and Credits Transfer Balance

Some of the transactions that may impact your transfer balance account include:

| Credit | Debit | No change to balance transfer |
|--|-----------------------------|-------------------------------|
| Commence an account based pension or other retirement income stream with super funds | Rollback a pension to super | Pension payments |

| Credit | Debit | No change to balance transfer |
|--|-----------------------------------|--|
| Superannuation death benefits paid as an income | Lump sum withdrawals from pension | Transition to Retirement pension until full condition of release met |
| Existing account based pensions and retirement income streams at 1 July 2017 | | |
| | | Pension growth |

The transfer balance cap will be indexed by CPI periodically in \$100,000 increments.

Annuities

An annuity is an investment that pays a regular fixed income amount that is guaranteed for its term. It may be purchased with superannuation or ordinary money. By purchasing an annuity at a time of low interest rates you are at risk of underutilising your purchase proceeds and receiving low real return over the period of the annuity.

Fixed Term Annuity

A Fixed Term Annuity pays a series of regular income payments for a fixed time period. Depending on the provider, you are able to choose the amount of 'residual capital value' upon the maturity. The residual capital value is the amount of money you wish to receive back at the maturity of your annuity investment. You are able to select between 0% -100%.

The amount of income payment is determined at the time of the application and guaranteed by the annuity provider for the term of the investment. Your adviser is able to provide you with the current earning rate and the level of income. As the payment is guaranteed for the term, no further income changes are allowed after the commencement other than by indexation.

If you commute or withdraw the investment prior to the maturity, the commutation value will depend on a number of factors such as the payments already made, the remaining term and the movement of interest rates. You should speak to your adviser prior to the withdrawal as this may impact on your entitlements such as Centrelink payments.

You can choose to nominate a 'reversionary annuitant' at the time of the application. It means the annuity will continue to be paid to another person after the death of the original owner.

Lifetime Annuity

A Lifetime annuity pays a series of regular income payments for your lifetime. A feature of lifetime annuities may include a 'guarantee period' which can be selected by the investor. If the annuity's owner was to die within a Guarantee Period, the income stream (or equivalent lump sum) will be paid to the nominated beneficiary or estate for the remaining term of the Guarantee Period.

The amount that the provider guarantees to pay at the end of the guarantee period is determined by a range of factors. There will be no capital returned to the estate or beneficiaries should you die outside the guarantee period.

Some product providers may allow you to withdraw the capital within a certain period only. However, there may be penalties and you may receive back less than the original investment amount.

Beneficiaries

The treatment of beneficiaries varies with the terms of different annuities. Some lifetime annuities may have no residual value to pay out to a beneficiary. Others will provide a guaranteed payment of up to 100% of the purchase price to beneficiaries if the owner dies within a pre-determined period.

Where an annuity is purchased with superannuation funds, limitations are placed on who can be nominated as a beneficiary. Many annuity providers will offer binding nominations that provide certainty as to who will receive any residual balance upon death. Reversionary beneficiary options where the income payments continue to be made to a second annuitant are also readily available.

Please read the Product Disclosure Statement carefully or ask your adviser.

Centrelink Assessment

The annuity may receive favourable treatment under Centrelink's Income Test. The pension income paid by an annuity that has a term of more than 5 years is only partially assessed under the Income Test. The amount regarded as your 'return of your capital' or 'deduction amount' is not considered assessable income.

Under the Centrelink assets test, where the annuity has an RCV less than 100%, the value of the annuity for the purposes of the assets test reduces over the term of the annuity. Furthermore, under the Centrelink assets test, the asset value of the annuity will reduce every six months (unless payments are received annually where the asset value reduces annually). The annual reduction amount is equal to the non-assessable ('return of your capital') portion of the income.

Retirement Strategies

Useful strategies in retirement include:

- Transition to Retirement Pension
- Pension commutation
- Death benefit pension

Transition to Retirement (TTR) Pension

Upon reaching preservation age (currently 56), you can access your superannuation using a TTR pension while you are still working. This pension could be used to reduce your work hours while still retaining the same take home income or you could contribute more to superannuation via a salary sacrifice arrangement or tax deductible contributions while receiving tax-effective income from

your pension to supplement your reduced income.

Pension payments received from a TTR pension are concessional taxed. If you are 60 or over, pension payments are tax free. While under 60, the taxable component of your pension payments is added to your assessable income however a 15% tax offset applies.

TTR pension income limits are as follows:

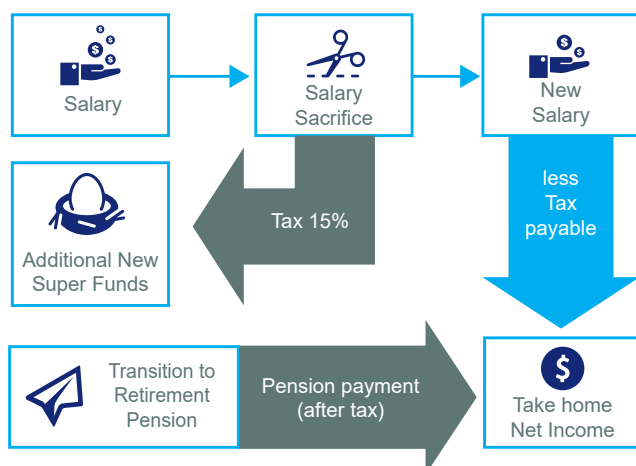
| Minimum standard Percentage Factor | Maximum Percentage Factor |
|------------------------------------|---------------------------|
| 4% | 10% |

While you are not able to make lump sum withdrawals from your TTR pension, you can roll back to superannuation at any time.

Before Transition to Retirement Strategy



After Implementing Transition to Retirement Strategy



Death Benefit Pension

Superannuation death benefits can be taken as a lump sum, a pension or a combination of both. Only dependants under tax law can take the option of a pension. A dependant includes someone who is a dependant within the ordinary meaning of that term such as a person who may not be a spouse or child but who depends on the member financially.

There are a number of things to note regarding death benefit pensions:

- You cannot roll them back to superannuation
- They will be taxed as super death benefits always
- Generally, they cannot be consolidated with other pensions
- You are able to move the funds from one provider to another.

There are different implications to the beneficiary's transfer balance cap depending on the type of death benefit pension received.

| Reversionary Pension | All other death benefit pensions (non reversionary) |
|--|---|
| Account balance at date of death counts against recipient's transfer balance cap 12 months after death | Account balance at commencement of the new death benefit pension counts towards recipient's transfer balance cap. |

Tax Treatment of Super death benefits

Benefit paid to a tax dependant

| Age of deceased | Death Benefit paid as | Age of dependant | Taxation |
|-----------------|-----------------------|------------------|---|
| Any age | Lump sum | Any age | Tax Free |
| Aged 60 or over | Income Stream | Any age | Tax Free |
| Below age 60 | Income Stream | Age 60 or over | Tax Free |
| Below age 60 | Income Stream | Below age 60 | Taxable amount is subject to marginal tax rates reduced by 15% tax offset |

Benefit paid to a tax non-dependant

| Age of deceased | Death Benefit paid as | Age of dependant | Taxation |
|-----------------|-----------------------|------------------|--|
| Any age | Lump sum | Any age | Taxable amount (taxed element) is subject to 15% tax plus the Medicare Levy Taxable amount (untaxed element) is subject to 30% tax plus the Medicare levy |
| Any age | Lump sum | Any age | This is not possible |

Important Information

This information is produced for advisers and clients of ClearView Financial Advice AFSL No. 331367 and Matrix Planning Solutions AFSL No. 238256.

This information is of a general nature only unless it has been given in conjunction with a Statement of Advice. It does not take into account your particular financial needs, circumstances and objectives. You should obtain professional financial advice if you have not already done so before acting on this information. You should read the Product Disclosure Statement (PDS) before making a decision to buy or sell a financial product.

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