Account Based Pensions Explained

Transferring your super account to an account based pension allows you to receive regular payments from your super (similar to a salary), while your super fund remains invested.

You can commence an account based pension by transferring part or all of your super to an account based pension account after you have reached your preservation age (dependent on your date of birth).

An account based pension provides you with the flexibility of choosing:

- your own investment options;
- your pension payment frequency; and
- you also have the ability to withdraw lump sums (not applicable for transition to retirement pensions).

EISS Pension

EISS Pension can provide you with a flexible and tax effective investment that converts your super savings into a pension. We offer two types of pension, a standard account based pension and a transition to retirement (TTR) pension. For information on a TTR pension, please refer to the fact sheet at **eisuper.com.au/factsheets**.

What are some of the key benefits of an account based pension?

- no tax on investment earnings (unless in a TTR pension);
- payments made to you after age 60 are tax-free;
- you can access your money at any time (unless in a TTR pension);
- you can vary your pension payment frequency and amount (subject to limits set by federal legislation); and
- any remaining account balance in the event of your death will be distributed to your beneficiaries, in accordance with your wishes (subject to requirements set by federal legislation).

When can I commence an account based pension?

To commence an account based pension you must meet one of the following criteria:

- you have reached your preservation age, are retired and do not intend to seek gainful employment for 10 or more hours per week in the future;
- you are at least 60 and have ceased employment since turning age 60;
- you are 65 or older;
- you are permanently incapacitated and have previously provided two incapacity certificates to that effect; or
- you have reached preservation age, are still working and wish to commence a TTR pension.

Your preservation age depends on when you were born:

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
1 July 1964 onwards	60

Please note, once you commence an income stream and start receiving payments, you can't add to your account. Therefore it is important to consolidate your super accounts (if you have more than one) prior to starting your income stream.

Importantly, your account based pension will also fluctuate in line with market performance. The income stream is not guaranteed for life and payments will cease when there is no money left in your account.

Tax on pension payments

The tax treatment for pension payments depends on your age. Pension payments are taxed on a Pay-As-You-Go (PAYG) basis however, part or all of your pension may be tax-free depending on your age, eligibility for tax offsets and the income tax-free threshold.

Age 60 or over

If you are age 60 or over, no tax is payable on your pension payments or lump sum withdrawals.

Under age 60

If you are under age 60, your pension payments may contain both a tax-free and a taxable component and the taxable component is taxed at normal pay as you earn PAYG rates. However, you may be eligible for a 15% pension tax offset, this reduces the amount you have to pay.

Pension payments

For your convenience, you may elect to have your pension paid fortnightly, monthly, quarterly, half yearly or annually. Your payments will be directly deposited into your nominated bank account. Pension payments will be deducted from your investment option(s) according to your election.

Minimum pension payments

A minimum pension payment must be paid annually (as prescribed by federal legislation) and your age determines the minimum pension payment based on your account balance, as set out in the following table (note, there will be no limit on the maximum amount that can be taken within a financial year unless you have a TTR pension, in which case the maximum payment is 10%).

In May 2021, the Federal Government announced the extension of the temporary reduction in superannuation minimum drawdown rates by 50% for a further year to 30 June 2022. The table below shows the temporary drawdown rates that have applied from 2019/20, and the regular drawdown rates for preceding years.

Age	Minimum % of account balance	
	Temporary drawdown rates from 2019/20	Regular drawdown rates for 2013/14 to 2018/19 financial year
Under 65	2%	4%
65-74	2.5%	5%
75-79	3%	6%
80-84	3.5%	7%
85-89	4.5%	9%
90-94	5.5%	11%
95+	7%	14%

Please note, if a pension commences on or after 1 June, no minimum payment amount is required to be paid in that financial year.

Transfer balance cap

There is a transfer balance cap of $1.7 million that limits the amount you can have in the retirment pension phase such as a standard account based pension (does not apply to TTR pensions). Investment earnings and pension drawdowns do not affect the transfer balance cap.

Please note, if you commenced a tax-free retirement pension before 1 July 2021 you will be subject to a transfer balance cap amount between $1.6 and $1.7 million depending on your individual circumstances. If you transfer an amount above this cap you will need to remove the excess plus deemed earnings by either rolling the amount back to a super account or withdrawing it from the pension. Additional tax calculated by the Australian Taxation Office (ATO) may also be payable. Your pension transfer balance cap is not affected by pension payments or investment earnings. The ATO will monitor and issue a notice, in the form of an excess balance transfer determination, where the cap has been exceeded. If the excess is not removed within the prescribed timeframe, the ATO may instruct us to remove the excess amount within 60 days. If this occurs, we may be required to open an EISS Super account for you to roll these funds back to if one does not already exist, and invest the excess in the Balanced (MySuper) option.

Seek professional advice

Our financial planners provide advice over the phone, at our offices or at a location near you.

To book an appointment, please call **1300 369 901** or visit **eisuper.com.au/appointment**.

We’re here to help

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