

## Accessing your super in retirement - is a pension right for you?

A superannuation pension - also known as an allocated or account-based pension - is drawn from your super and is designed to provide you with a tax-effective regular income stream in retirement. A super pension is generally available to those who have reached their preservation age (see the box below) and can be established after you retire. Alternatively, it can be used to supplement your income if you're transitioning to retirement by working part-time - potentially allowing you to work less and reduce your tax without reducing your income.

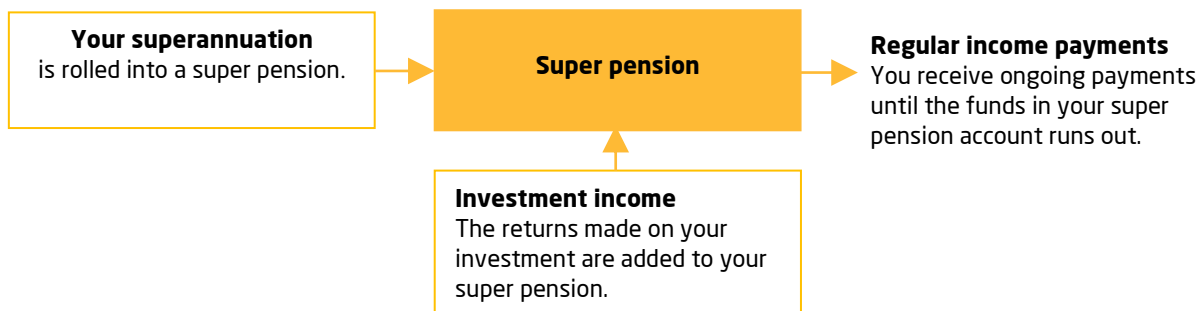
It's important to note that a super pension is drawn from accumulated super savings and is different to an age pension which the Federal Government provides.

### How does a super pension work?

Super pensions provide a tax-effective and flexible retirement income stream using your super savings.

#### Preservation age

Date of birth	Preservation age
Before 01/07/60	55
01/07/60-30/06/61	56
01/07/61-30/06/62	57
01/07/62-30/06/63	58
01/07/63-30/06/64	59
After 30/06/64	60



There are two broad types of super pensions - a commutable super pension which is generally available to those over 55 who have completely retired from the work force; and a non-commutable super pension, which is generally available to those who are over 55 and transitioning to retirement by working part-time. (Commutations are simply lump sum withdrawals. You cannot take a lump sum from a non-commutable super pension unless there are special circumstances.)

The really good news about a super pension is that once you turn 60, any income payments and lump sum withdrawals from your super account will be tax free and you won't pay any tax on your investment earnings. This means less tax, and more money in your pocket. Please note that if you are between 55 and 60, the tax treatment is not quite as generous. The tax you pay on your pension income will be dependent on the tax you've already paid on your super before you rolled it into your pension.

### **Are there any limits to what I can withdraw from my super pension?**

If you choose to roll your super into a super pension when you retire, you'll be able to choose how much pension you wish to take and when you wish to take it, provided a minimum amount is withdrawn from your pension each year. That is, each year your total income from the super pension must meet a minimum limit set by the Federal Government, based on your age (see the box below). With a commutable super pension you can withdraw as much as you like above the minimum. That is, you have full access to your capital investment at any time.

The same minimum rules apply with a non-commutable pension, however, you can only withdraw up to 10% of the balance of your account in any one year.

<b>Minimum annual payments from 1 July 2007</b>	
<b>Your age</b>	<b>Percent of account balance</b>
Under 65	4%
65 - 74	5%
75 - 79	6%
80 - 84	7%
85 - 89	9%
90 - 94	11%
95 or older	14%

### **Temporary relief of minimum pension drawdown rules**

It is important to note that in 2011 the Federal Government extended the relief from the minimum pension draw down rules until the start of the 20012/13 financial year. The minimum draw down percentages mentioned above have now been given a 25 per cent reduction, for example, a 55 - 64 year old need only draw down 3 per cent.

### **What else do I need to know?**

Only the money in your super fund can be used to start a super pension account and no additional contributions can be made once the pension has been established. However, once your account is established, a super pension is like having your own bank account. That is, you can roll the money from your super fund into a super pension and access it straight away.

### **How long will my super pension last?**

It's very important to know that an income from a super pension only lasts until the money in your account, plus the earnings run out. This means that any regular income you draw from your super pension may not necessarily last for a lifetime. The longevity of your super pension will depend on a number of factors, including, most importantly, how long you live, as well as the level of pension you draw down, how well the underlying investments perform, and how many lump sum withdrawals (commutations) are taken out of your pension, if any.

### **What about super pensions and estate planning?**

You can set up your super pension so an income will automatically continue being paid to a spouse if you die. Otherwise, the money can be allocated to a nominated preferred beneficiary or beneficiaries, or to your estate. There may be different tax outcomes for each of these options depending on your circumstances, so you should consider seeking financial advice.

### **Does Sunsuper offer super pensions?**

Yes. Whether you've decided to work part-time and supplement your income, or you've retired and want to draw a regular income stream from your super, Sunsuper has two pension options that may suit your needs - the *Sunsuper Retirement Pension* which is a commutable pension and established for those who have fully entered retirement, or the *Sunsuper Workforce Pension* which is a non-commutable pension and suitable for those still in the workforce.

### **Can I choose where my money is invested?**

Yes, there are a wide range of investment options available to you through a super pension giving you maximum flexibility to choose investments to match your needs.

Sunsuper offers an extensive range of investment options to choose from. You have the flexibility to divide your money between asset classes if you wish. For example, you may want to have the portion from which you draw an income invested differently from the longer term growth funds in your account. To help you make an investment choice, you should consider speaking to a financial planner to recommend the most appropriate investment strategy for your circumstances.

### **Where can I get more information?**

Sunsuper can provide you with the help and advice you need, whether you have a simple question or would like to consider your total financial situation. Our member advice specialists<sup>1</sup> can answer most of your questions about your Sunsuper account simply and quickly over the phone. If it's something more complex, you can arrange a meeting with a financial planner. Our planners can give you advice on many aspects of your finances—not just your Sunsuper account.

<sup>1</sup>Simple advice about super is provided at no additional cost. More detailed advice may incur a fee. All advice is provided by representatives of either Sunsuper Pty Ltd or Sunsuper Financial Services Pty Ltd (ABN 50 087 154 818, AFSL No. 227867), a wholly owned subsidiary of Sunsuper.