

RETIREMENT INCOME STREAMS

Income streams are investments which provide regular income and capital payments to allow you to manage your ongoing living expenses.

There are two main types of income streams – pensions and annuities. A pension is the name given to an income stream payable from a superannuation fund, whereas an annuity is the name given to an income stream which is generally payable from a life insurance company.

Income streams fall into three categories:

- Account-based income streams
- Transition to retirement pensions
- Non-account-based income streams.

ACCOUNT-BASED INCOME STREAMS

An account-based pension is a retirement income stream which you can commence using your super balance, once you've met a condition of release.

When you invest in an account-based income stream, you have an investment account within the relevant fund. Your investment account balance will be adjusted for any increase or decrease as a result of investment returns and reduced by your drawdown of regular income payments. As long as the account balance lasts, you will have an income stream.

There is flexibility with an account-based income stream allowing you to match the income payments to your needs. Each year, you may select the income you wish to draw, which is subject to a minimum level required by the government (this is calculated upon commencement and on 1 July each year thereafter). The income payments will continue until you withdraw the balance or your account is exhausted.

An account-based income stream is flexible because you have access to your investment account. You are generally able to withdraw the whole or part of your investment account balance at any time. If you are under age 60 you may be liable for some tax when withdrawing lump sum amounts. Your surviving spouse or estate will receive the remaining investment account balance on your death.

The level of investment earnings and your funds will depend on the type of investment choices you make along the way.

Most account-based income streams offer you investment choice, some of which involve more risk than others. It is important to note that the longevity of your income stream will depend on how much you draw out annually and the investment earnings you receive. There is no guarantee that you will have an income for your lifetime or for any fixed period of time.

For more information please refer to the Account-Based Pension Fact Sheet available at activesuper.com.au

TRANSITION TO RETIREMENT PENSIONS

A transition to retirement (TTR) pension can be started by transferring some of your accumulation account into a TTR pension.

People who have reached their preservation age (55 for those born before 1 July 1960) but do not wish to retire can access preserved and restricted non-preserved superannuation benefits as a non-commutable income stream through a 'transition to retirement' pension. It is designed to appeal to those people looking to reduce their working hours without having to retire while being able to supplement their reduced employment income with income sourced from superannuation.

The maximum yearly pension income is restricted to 10% of the account balance upon commencement and then 10% of the account balance on 1 July each year thereafter.

If a pensioner returns to full time work the benefits in a non-commutable income stream can be rolled over to another non-commutable income stream or back to the accumulation phase of superannuation (only within the first six months for complying income streams). When the person declares retirement or leaves employment after reaching age 60, a non-commutable income stream purchased under transition to retirement regulations will revert to a normal income stream (i.e. able to make lump sum withdrawals).

For more information please refer to the Transition to Retirement Fact Sheet available at activesuper.com.au

NON-ACCOUNT-BASED INCOME STREAMS

Non-account-based income streams are payable for either a fixed term or life. They may be known as immediate annuities, term certain income streams, life expectancy income streams or lifetime income streams. They provide fixed, guaranteed returns and for some clients may satisfy the 'comfort factor', for example, providing certainty of income and security of investment.

Immediate annuities (both lifetime guaranteed and term certain) are the only income streams that can be purchased with ordinary money. The others must be purchased with superannuation money.

NEED FURTHER INFORMATION?

If you would like further information or the address of your local branch, please visit our website at activesuper.com.au or contact Member Services on 1300 547 873 between 8.30am and 5.00pm on any business day.

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