



## Allocated Pensions

Allocated Pensions (also known as Account Based Pensions) are superannuation funds that have been transferred to pension phase to provide an income stream from the accrued capital. One of their key advantages is that there is **no tax applied to the investment earnings** within the pension. They can only be commenced with unpreserved superannuation money, which generally means the investor is at least 56 years of age and has retired (non-commutable Allocated Pensions are the exception<sup>1</sup>). Once commenced an Allocated Pension cannot be added to.

You may nominate the frequency of income payments, but an income payment must be made at least once a year. Income payments may be made up of investment income and capital drawdowns. **These products are designed to eventually reach a zero account balance. Once the account reaches a zero balance the pension ceases.**

You choose the amount of the income you would like to take, provided it is over the required minimums shown below. There is no maximum (see footnote on NCAPs).

Age at start of pension and each 1 July	< 65	65-74	75-79	80-84	85-89	90-94	> 94
% of Account Balance	4%	5%	6%	7%	9%	11%	14%
<i>Temporary Factor for 2020/21</i>	2%	2.5%	3%	3.5%	4.5%	5.5%	7%

If you are over 60 all income is tax-free. If you are under 60 the portion of the income from the Tax-Free Component will not be taxed. Those over their preservation age but under 60 will receive a 15% tax rebate on any income from the Taxable Component. The Tax Free and Taxable components are fixed percentages that are set at the commencement of the pension.

You always retain access to your capital and may make lump sum withdrawals at any time. If you under 60 then normal lump sum tax will apply to any withdrawals but if you are 60 or over these will also be tax-free.

Any account balance left after the death of the owner may be passed on as an income stream to a spouse or dependent child or paid as a lump sum to any dependent or the estate. Nominating a reversionary pensioner or a binding nominated beneficiary provides you with control over where the benefit is paid after your death.

Any allocated pension commenced on after 1 January 2015 will be treated as a financial investment and deemed. Special circumstances may apply to allocated pensions commenced before 1 January 2015, meaning they are still asset tested but receive a more favorable income test than deeming.

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<sup>1</sup> A Non-Commutable Allocated Pension (NCAP) is available for those who have reached preservation age but whose benefit is preserved as they are not permanently retired. This differs from an ordinary Allocated Pension as a maximum income of 10% applies, lump sum withdrawals are not allowed, and investment earnings are taxed at a 15% rate, instead of being tax free.



## Transfer Balance Cap

The transfer balance cap (TBC) is the total amount an individual can have in retirement phase accounts, which includes account-based pensions, lifetime and defined benefit pensions and some annuities. The TBC is currently \$1.6 million. It is indexed in \$100,000 increments in line with CPI.

An individual's personal transfer balance account (TBA) tracks the amount transferred to retirement phase accounts. Broadly, amounts are credited to the tba when an allocated pension commences, and amounts are debited from the TBA when amounts are commuted, withdrawn, or rolled over. Any increase in the value of the allocated pension due to investment returns will not be treated as a credit to your transfer balance account. Pension payments and negative investment returns do not count as debits. Hence, investors can rollover to new product provider without exceeding their tba, even if their pension balance has grown due to investment returns.

**Note: All figures are current for 2020/2021**

*While every care has been exercised and the recommendations and other statements herein are based on information believed to be accurate and reliable, no liability, (unless required by law) can be accepted for any error or omission including negligence however caused.*