***Account-Based* Pensions**

Account-based pensions, also known as allocated pensions, are superannuation accounts that have been transferred to pension phase to provide an income stream from accumulated superannuation savings. 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 (non-commutable allocated pensions are the exception).

You can choose how often income payments are made, provided at least one payment is made each financial year. Income payments may be made up of investment income and capital drawdowns. **These pensions are designed to draw down over time and may eventually reach a zero account balance. Once the account reaches a zero balance the pension ceases.**

You choose the amount of income you would like to receive, provided it is at least the minimum amount required each financial year, as 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%

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 are under 60 then the standard lump sum tax will apply to any withdrawals but if you are 60 or over these will also be tax-free.

Any account balance remaining after the account holder's death may be paid as an income stream to an eligible beneficiary, such as a spouse or dependent child, or as a lump sum to an eligible beneficiary 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 account-based pension commenced on or after 1 January 2015 is generally treated as a financial investment and subject to deeming for social security purposes.

The transfer balance cap (TBC) limits the amount an individual can transfer into retirement phase income streams, including account-based pensions, lifetime and defined benefit pensions, and some annuities. From 1 July 2026, the general TBC is $2.1 million.

The transfer balance account (TBA) records events that count towards your personal transfer balance cap. Its balance determines whether you have exceeded your cap at the end of a day and whether you may be entitled to future indexation of your personal cap.

Note: All figures are current for FY27