

TURNING YOUR SUPER INTO A RETIREMENT INCOME STREAM

What is an account-based pension?

An account-based pension allows you to convert your superannuation savings into a tax-effective superannuation pension so you can access your super as a flexible and regular income stream in retirement. Generally, an account-based pension can be established when you reach your preservation age (see below) and have retired.

There are limited circumstances when an account-based pension can be established earlier. These include establishing a pension with a total and permanent disability benefit or a death benefit.

What is your preservation age?

When you were born	Preservation age
Before 01/07/1960	55
01/07/1960 – 30/06/1961	56
01/07/1961 – 30/06/1962	57
01/07/1962 – 30/06/1963	58
01/07/1963 – 30/06/1964	59
01/07/1964 or after	60

What is a Transition to Retirement Pension?

If you have reached your preservation age but have not yet retired you can establish a Transition to Retirement Pension. Transition to Retirement is a strategy that allows you to roll some or all of your superannuation into a non-commutable income stream whilst still working. 'Non-commutable' means you generally cannot access lump sums from the pension until you reach retirement. The income stream is a form of account-based pension, which we refer to as a Transition to Retirement Pension. This means you can continue to work part time or even work full time and use your Transition to Retirement Pension to supplement your income as you near retirement.

Establishing an account-based pension

You can establish an account-based pension using superannuation savings if you have one or more superannuation accounts. It is important to note that once your pension has commenced you cannot add any more funds to it.

How much am I required to withdraw?

You can receive payments from your MAP Pension Plan account in the form of regular pension payments or lump sum withdrawals¹ until your account balance is exhausted.

Regular Pension Payments

You are required by law to draw a minimum amount from your MAP Pension each financial year in the form of regular pension payments. This is known as your minimum income limit and is calculated using your account balance and age on 1 July of each year. There is no maximum income limit unless your pension is a Transition to Retirement Pension. A maximum income limit of 10% applies to Transition to Retirement Pensions. The amount you receive in the form of regular pension payments must not exceed your maximum income limit for that year.

The prescribed minimum income limits are as shown below, however a temporary reduction to 50% of these amounts applies for the 2010/11 financial year (also shown below).

Prescribed minimum income limits

Your age at 1 July ¹	% of account balance as at 1 July	2011/12 - Reduced % of account balance as at 1 July
Under 65	4%	3%
65 – 74	5%	3.75%
75 – 79	6%	4.5%
80 – 84	7%	5.25%
85 – 89	9%	6.75%
90 – 94	11%	8.25%
95 +	14%	10.5%

Continues overleaf

¹ Restrictions on lump sum withdrawals apply to Transition to Retirement Pensions.

Lump sum withdrawals

Generally, you may make a lump sum withdrawal at any time. However, for Transition to Retirement Pensions withdrawals can only be made in limited circumstances including:

- If your account has a non-preserved component and your lump sum withdrawal does not exceed this amount¹;
- If you satisfy a condition of release with a 'nil' cashing restriction (for example, retirement); or
- To give effect to a payment split under family law.

¹ Your account is made up of three (3) components: a) unrestricted non-preserved amount; b) restricted non-preserved amount; and c) preserved amount. These proportions are carried over when you roll in to your Pension account from one or more super funds.

Before making a lump sum withdrawal it is important to understand that in dollar terms, a reduced balance may impact future regular pension payments.

Making contributions to superannuation while drawing a pension income

You can still contribute to superannuation while drawing a pension subject to the following contribution age and employment status rules.

Contribution Age and Employment Status Rules

Generally, your super contributions must be made before you turn age 75 (or 28 days after the end of the month in which you turn 75). If you are aged 65 or over, the work test may apply.

If you are aged 64 and under: You may not be eligible for SG Contributions if you earned less than \$450 in a month¹.

If you are aged 65 – 69: The work test applies for Other Employer Contributions, Personal Contributions and Spouse Contributions.

If you are aged 70 – 74: You are not eligible for SG Contributions, Other Employer Contributions or Spouse Contributions. The work test applies for Personal Contributions.

If you are aged 75 and over: You are eligible for contributions specified in an industrial award or agreement.

What is the work test? The work test requires that you work at least 40 hours in a period of no more than 30 consecutive days during the financial year.

Will your MAP Pension affect your social security pension?

The balance of your MAP Pension Plan account is included in the social security Age Pension Assets Test and the income you receive from your MAP pension, less any exemption, is also included in the social security Age Pension Income Test.

You may still be eligible to receive a social security Age Pension while also receiving your MAP Pension.

Getting advice

We recommend you seek professional advice from an authorised financial planner who can advise you on the timing and strategy of your pension.

MAP Financial Planning²

MAP Financial Planners assist individuals to achieve their full financial potential working with them to develop personalised investment strategies. Such strategies take into account where you are now and offer tailored solutions to help achieve financial goals.

MAP Financial Planners are experienced in providing personalised advice and are paid a salary. They provide advice on a wide range of products and strategies including salary packaging, retirement planning and wealth creation.

² MAP Financial Planning Pty Ltd ABN 91 090 411 537 AFSL No. 239117 is a wholly owned subsidiary of MAP Funds Management Ltd ABN 85 011 061 831 AFSL No. 240753.

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