Equip Super

Transition to Retirement Income fact sheet

What is a Transition to Retirement Income account?

A Transition to Retirement Income account is available to members who have reached age 60, and are still working either full or part time.

This account differs from a Retirement Income account in that:

- Annual payments must be a minimum of 4% of the account balance and no more than 10%, and
- Lump sum withdrawals are not permitted.

What are the tax benefits?

For people aged 60 or over, income payments are tax free.

Investment earnings in a Transition to Retirement Income account are generally taxed at 15%.

How is my income calculated?

You can choose how much income you receive from your Transition to Retirement Income account at the start and change it at any time. However, the total income you receive each year must be between a minimum of 4% and a maximum of 10% of your account balance.

Is my account balance or income guaranteed?

Although Transition to Retirement Income accounts allow you to select the amount and frequency of your income payments and how your money is invested, they do not guarantee your balance or the income level – these will vary with investment performance.

How long will my account balance money last?

This depends on a number of factors including:

- the amount you originally invest
- the amount of income you decide to receive each year
- how your chosen investment options perform, and
- the amount of fees deducted.

Can I withdraw my entire account balance?

No, Transition to Retirement Income accounts are 'non-commutable' which means you cannot access the funds in the form of a lump sum (unless you have an unrestricted non-preserved component). However, once you satisfy a condition of release (such as turning age 65), your account will revert to a Retirement Income account which means you will have access to your full account balance, including making lump sum withdrawals at your discretion (refer to our Retirement Income account factsheet for more information).

What happens when I die?

You can make a nomination that will determine how your beneficiaries receive the balance of your account, and in what proportion. The options that are available include:

- Nominating a reversionary beneficiary, such as a spouse, who will continue to receive income payments after you die, or
- Making a binding death benefit nomination of the person(s) you want your benefit to be paid to.
- Making a non-binding death benefit nomination of the person(s) you want your benefit to be paid to – when deciding how to pay a death benefit, the trustee may take a non-binding nomination into account but is not bound to follow it.

Nominating your spouse as a reversionary beneficiary means that if you die with money in your account, your spouse will continue to receive your income payments, as long as he or she is your spouse at the time of your death.

If you do not provide any details the death benefit may form part of your estate.

Please note that there may be tax implications depending on who the beneficiaries are.

Transferring to a Retirement Income account

If you have a Transition to Retirement Income account and satisfy a condition of release, your account can convert to a Retirement Income account where tax on investment earnings is 0% (nil), and there are no restrictions on lump sum withdrawals.

To satisfy a condition of release, you must:

- be permanently retired (i.e. working less than 10 hours per week) on or after your Preservation Age, or
- have ceased work with an employer (e.g. changed jobs) after age 60, or
- have reached age 65*.

*Your account will automatically convert to a Retirement Income account once you turn 65

For more information on Transition to Retirement Income accounts and strategies please refer to our website equipsuper.com.au or our online education modules equipsuper.money101.com.au

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