

Retirement Income fact sheet

What is a Retirement Income account?

A Retirement Income account is an account based pension offering tax and Centrelink concessions while providing you with the option to select how your funds are invested. They generally suit investors seeking a tax effective income in retirement, flexibility in the level of income they want to have each year and access to capital throughout their retirement.

When can I start a Retirement Income account?

To start a Retirement Income account, you must:

- be permanently retired on or after age 60, or
- have ceased work with an employer (e.g. changed jobs) after age 60, or
- have reached age 65.

What are the tax benefits?

For people aged 60 or older, income payments received from a Retirement Income account are tax free.

All investment earnings in a Retirement Income account are exempt from income tax.

\$1.9 million transfer balance cap

The maximum amount you can transfer into a Retirement Income account is \$1.9 million. If you have more than this in superannuation, you can only transfer \$1.9 million and the balance can remain in your super account.

Leaving excess money in super is tax effective

Amounts exceeding the \$1.9 million cap do not have to be withdrawn from super. By keeping the excess in super, the earnings are generally taxed at 15%.

How is my income calculated?

You can choose how much income you receive from your Income account at commencement and in each subsequent financial year. You can change the amount of income you want at any stage during the year – the only obligation is that the total income you receive each financial year must meet the following minimum payment standards as set by the Government.

The table below shows the minimum annual payment (a percentage of your pension money – also called ‘capital’) you are required to draw per year.

| Age | Minimum annual payment |
|-----------|------------------------|
| Under 65 | 4.0% |
| 65 – 74 | 5.0% |
| 75 – 79 | 6.0% |
| 80 – 84 | 7.0% |
| 85 – 89 | 9.0% |
| 90 – 94 | 11.0% |
| 95 & over | 14.0% |

There are no maximum income limits applied to Retirement Income accounts.

Is my account balance or income guaranteed?

Although 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 last?

- This depends on a number of factors including:
- the amount you originally invest
- the amount of income you decide to receive each year
- the amount of any withdrawals you make
- how your chosen investment options perform, and
- the amount of fees deducted.

Can I withdraw my entire account balance?

Yes, you can withdraw funds from your account at any time. All withdrawals by persons aged 60 or over are tax free.

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.

What are my investment options?

Equip Super offers seven diversified options and four sector-specific options, so you can choose the options that best suit your retirement needs.

Or, you can choose to invest in Equip Super MyPension – our innovative set-and-forget investment strategy that's specifically designed to take the hard work out of investing your retirement savings. We make the decisions for you using our 'three bucket' strategy, so you don't have to worry about managing your investments.

How does Centrelink treat Retirement Income accounts?

If you receive any benefits from Centrelink, the capital value (account balance) of your account is counted as an asset. How your Retirement Income account is assessed under Centrelink's income test can be based on a number of factors including when you commenced your account. A financial planner or Centrelink officer can help you determine how much income is counted.

Your retirement questions answered

Excited about retiring? Nervous? A little bit of both? Don't worry, our Retirement Centre is here to answer your questions and provide you with personalised one-on-one support. Call us today on **1800 777 060** or visit our website: equipsuper.com.au/don't-be-shy

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

Contact our Helpline **1800 682 626** | Visit our website equipsuper.com.au | Mail: **Equip Super, GPO Box 4303, Melbourne VIC 3001**

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