Personal Pensions and Transition to Retirement Pensions

Personal pensions are a great way to gradually draw down your super and keep your retirement money protected in the superannuation environment. They have become a lot more flexible in recent times, as the Government wants to persuade retirees to stop taking and spending their super lump sums.

You have two main options available: Personal Pensions and Transition to Retirement Pensions (TTR). Both will give you regular income to supplement any other income you receive. And you do have to use superannuation money to start these types of pensions.

Personal Pension	TTR Pension
You must be retired or over age 65 to start this pension.	You can start this pension while you are still working. It is especially useful if you would like to reduce your work hours in order to gradually transition to retirement. You can also boost your super and potentially save tax through a TTR and Salary Sacrifice strategy.
There is usually a minimum initial investment amount set by your super fund.	There is usually a minimum initial investment amount set by your super fund. As you are still working, you will need to maintain your super account for employer contributions. Some super funds require a minimum balance to be left in your super account.
You cannot make any additional contributions to your pension once it has started.	You cannot make any additional contributions to your pension but you can still add to your super account.
You choose an income above the minimum percentage set by the Government, which varies by age (eg. those under age 65 must draw at least 2% of their balance). There is no maximum limit, other than the funds left in your pension.	You can choose an income between the minimum and maximum amounts set by the Government. Currently the limits for those under age 65 are between 2% and 10% of your super balance each year.*
Centrelink will assess 100% of your account balance under the assets test. However, the personal pension income you receive will be favourably treated.	Centrelink will assess 100% of your pension account balance under the assets test but your super account balance will not be counted until you reach age pension age.
You can withdraw a lump sum (although this may affect your Age Pension) when you: (a) retire permanently after reaching preservation age, or (b) change employers after reaching age 60, or (c) reach the age of 65 Whichever comes first.	You cannot generally make lump sum withdrawals.

* The pension draw-down relief provided by the government for the 2008-09 FY has been extended to 30 June 2010.

Any questions? Call 1800 046 166 or visit: www.moneysolutions.com.au

For both Pensions

- The fees charged for both pensions are the same.
- Income is paid until the account balance runs out.
- You must receive at least one pension payment a year. The payment frequency will vary depending on your super fund. Generally, you may choose to receive income monthly, quarterly, half-yearly or annually.
- You may receive concessional tax treatment. If you are over age 60 then your pension payments are tax-free. If you are age 55 to 60, you will be entitled to a 15% tax offset on the pension payments you receive.
- Your pension funds are invested in the same way as your super and you can choose how it is invested.
- You can nominate a dependant to receive your pension in the case of your death (reversionary beneficiary).

Advantages of both pensions

- Personal and TTR pensions provide you with flexibility. You can choose the income you receive during each financial year, within the Government set minimum limit(s).
- Pensions have tax advantages. Any investment earnings within the pensions are tax-free.
- The pension income received is tax-free if you are over 60 years of age.
- The income received from a pension is currently treated favourably when assessed under the Centrelink income test.

Disadvantages of both pensions

- Your Personal or TTR pension is not guaranteed to last for any period. The return on your money invested is subject to changes in value as the underlying assets change.
- A personal or TTR pension is not exempt to any extent from the Centrelink assets test. It will be included when determining your entitlement to any Government pension or allowance.

Generally

If you were to choose a pension you would look at:

- How much money do you want to receive each year?
- How long do you want your money to last?
- Do you want to leave any of this money to others on your death?
- Do you need to increase your Age Pension entitlement?
- Does this money affect your Asset and/or Income Test for the Age Pension?
- Do you want to have access to the money?

These are just some of the questions you need to ask. Our Money Coaches and Financial Advisers are happy to guide you in the right direction.