Super strategies

Convert your super into a tax-effective retirement income

Starting an account based pension with your super when you retire could enable you to receive a tax-effective income and make your savings last longer.

How does the strategy work?

When you retire, it can be tempting to take your super as a cash lump sum. However, using your super to start an account based pension[1] could be a more tax-effective option. This is because:

- no tax will be payable on earnings in the fund[2]
- you can receive $52,545[3] pa in tax-free income between your 'preservation age'[4] and 59 in 2018/19, and
- when you reach age 60, the pension income payments will be completely tax-free[5] and you don't have to include these amounts in your annual tax return.

Seek advice

A financial adviser can help you determine whether an account based pension suits your needs and circumstances.

Maximum taxable income that can be received tax-free (pa) in 2018/19

Age	From investments held outside super	From account based pension (taxed fund)
Preservation age[4] to 59	$21,595[6]	$52,545[3]
60 to Age pension age[7]	$21,595[6]	Unlimited tax-free[5] income payments. Also, you don't have to include the income payments in your annual tax return
Age pension age[7] and over	$32,915[8] (for singles) and $29,611[8] (per member of a couple)	As above

[1] There is a limit on the total amount that can be transferred to retirement phase in a person's lifetime. This limit is $1.6 million in 2018/19 (subject to indexation).

[2] Assumes you are in retirement phase.

[3] Takes into account low income tax offset, low and middle income tax offset and 15% pension tax offset and assumes no other income is received.

[4] Preservation age is 55 for those born before 1 July 1960 and gradually increases to 60 depending on date of birth.

[5] Assumes the pension is commenced from a taxed super fund.

[6] Takes into account low income tax offset and low and middle income tax offset.

[7] Age where you become eligible for age pension.

[8] Takes into account low income tax offset, low and middle income tax offset and seniors and pensioners tax offset.

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How do account based pensions work?

Account based pensions begin by transferring a lump-sum – usually from your super account – into an account based pension product.

You can select the frequency of payments you receive (minimum of once per year) and how much you wish to withdraw each year.

There are minimum amounts you must withdraw each year (see following table).

Your balance will be invested in the investment option(s) you choose and you can withdraw a lump sum at any time.

Minimum pension payments

There is a minimum amount you must withdraw from an account based pension each financial year, that depends on your age.

Age	Minimum pension payment
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95+	14%

Tips and traps

- To start an account based pension you need to have met a 'condition of release'.
- There is a limit on how much super you can transfer to an account based pension, or other 'retirement phase' account. In 2018/19, this limit is $1.6 million.
- Before you start an account based pension, search for any lost super you might be entitled to. Also consider making additional contributions and consolidate your super if you have more than one account. You can't add to a pension once it's commenced.
- Consider whether you should claim a tax deduction (if eligible) on any personal super contributions you have made in the current or prior financial year before commencing a pension. To do this, you'll need to complete a *'Notice of intent to claim or vary a deduction for personal super contributions'* form either prior to or at the time of applying for a pension.

To find out more about these or other issues, speak to your financial adviser, or visit **ato.gov.au**

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