

# How will the recent government announcements on super pensions impact you?

On 18 February 2009, the Federal Government announced changes to the draw down rules for Superannuation Pensions. There has been a lot of speculation on how this will impact Australians with these accounts (now and in the future). Below we answer some of the most commonly asked questions about this announcement:

## What is changing?

*"The Government recognises that the significant downturn in global financial markets has had a negative effect on retirees' superannuation capital in account-based pensions," Treasurer, Wayne Swan.*

*"In response to these legitimate concerns, the Government will suspend the minimum drawdown requirement for account-based pensions for the second half of 2008-09," Minister for Superannuation, Nick Sherry.*

Currently, the amount nominated for draw downs on Superannuation Pensions must be at least equal to the Government's prescribed minimum and if applicable, no more than the prescribed maximum. All account holders must normally draw down at least the minimum amount.

Effective immediately, until 30 June 2009, members who have already received at least 50% of the minimum income amount will be able to reduce or suspend income payments for the remainder of this financial year.

Some members who have not yet reached 50% of their minimum may also access this relief measure. Please contact your Industry Super Fund for more details.

## What Pension Accounts does this impact?

This 'temporary relief' to minimum pension draw down limits can be accessed by all members who have:

- Account-based annuities and pensions (payable since 01 July 2007).
- Allocated annuities and pensions (pre-dating the Better Super changes of 2007).
- Account-based and allocated pensions payable from Retirement Savings Accounts.
- Market-linked (term allocated) annuities and pensions.

## Can I reduce or suspend my income payments if I am Transitioning to Retirement and still working?

Yes. This temporary relief is available to all members with eligible accounts, whether they are transitioning to retirement or fully retired, as long as they have already been paid at least 50% of the minimum income for this financial year.

## Is this change permanent?

No. At the moment this ability to reduce or suspend income payments will only be valid until the end of this financial year – 30 June 2009. However, the Government has signalled that it will re-examine the situation at that time.

*"The Government will continue to closely monitor market conditions and examine options for a longer term solution to this issue following the Australia's Future Tax System Review," Treasure, Wayne Swan.*

## Why is the Government doing this?

This temporary relief aims to address some of the concerns that the minimum income payment requirements meant that all superannuation pension members had to draw from their accounts while asset values/balances are lower.

It also acknowledges that the minimum income payment amounts for the 2008/09 financial year were calculated at 1 July 2008, when account balances were higher.

## Will this announcement benefit every superannuation pension account holder?

No, not necessarily. The option to reduce or suspend income payments may only be useful to those members who have other sources of incomes eg. investments outside super or salary or where the minimum payment they draw down is more income than required.

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## If I suspend my income payments, will I be entitled to Age Pension payments?

Theoretically, it is possible for some pension/income stream members to reduce or stop payments from their account and qualify for additional Age Pension payments.

Generally, however, the effect for most people will be minimal and it is anticipated that this would only apply to a very small group.

It is important to also note that any reduction in the annual income you draw from your own pension account will always be more than any increase in Age Pension payments you will receive.

## What is the benefit of limiting my draw downs?

The main reason to do this at the moment would be to preserve capital. For most people, it will only be a possible option if their minimum draw down is more income than required.

## I am not sure what to do – how do I find out more about whether I can access Government Age Pension payments?

For more information about how this may change your entitlement to the Age Pension call Centrelink or visit their website: [www.centrelink.gov.au](http://www.centrelink.gov.au)

## I want to stop my income draw downs – what do I do?

In order to reduce or suspend your income payments for the remainder of this financial year you will normally need to notify your pension/income stream provider in writing.

Most pension providers with members impacted by this change are likely to contact them directly over the coming weeks.

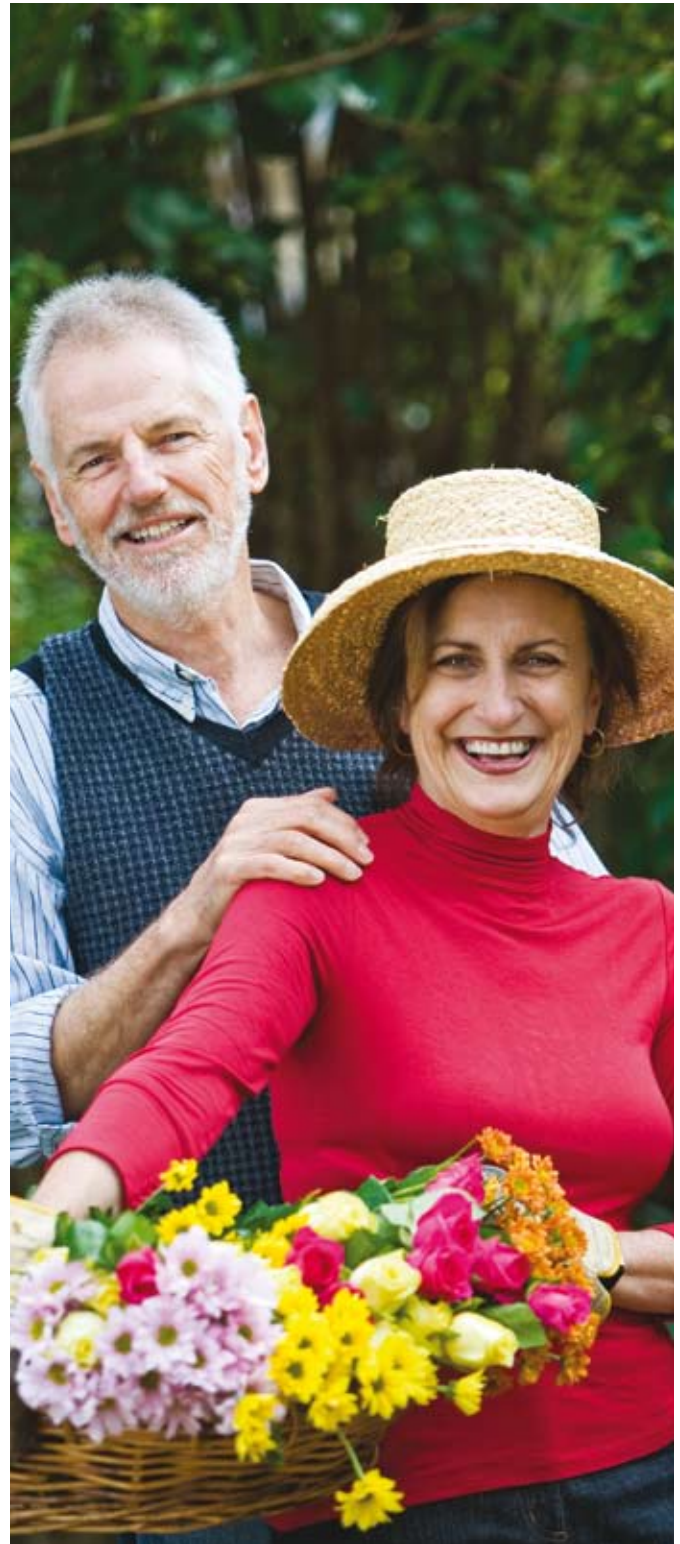
If you want to suspend your payment sooner, you should contact your Industry Super Fund.

## I wish to continue to receive my full income payments - what do I do?

Should you choose not to reduce or suspend your income amount you are not required to take any further action. You will continue to be paid your income payments in accordance with your current instructions.

For more information or to assess what is the best option for your situation, contact your Industry Super Fund or IFFP.

[Click here](#) to view a fully copy of the government's press release of 18 February.



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