ILLUSTRATIVE PENSION COMMENCEMENT STRATEGY SAMPLE

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My advice

Commence a tax-effective retirement income stream

By transferring your unrestricted superannuation benefits to an account-based pension, you can receive regular tax-free income while retaining access to your capital.

Jane, I recommend you:

- **Commence an account-based pension.**
  Following the recommended withdrawal and re-contribution strategy, use the resulting $280,000 to commence a new account-based pension.
- **Invest your pension benefits.**
  Invest the pension balance in accordance with the recommended underlying investment portfolio and your agreed risk profile.
- **Receive regular pension payments.**
  Initially draw pension income of $1,750 per month ($21,000 p.a.), paid directly to your nominated bank account.
- **Nominate your beneficiaries.**
  Make a binding non-lapsing death-benefit nomination directing your remaining pension benefit to your two adult children, Alex and Jordan, in equal proportions.

Please refer to the 'Summary of your investments' section for the detailed investment recommendations.

Pension summary

Based on an estimated pension commencement balance of $280,000 and the 5% minimum pension factor applicable to your age:

Pension payment details	Amount	Monthly equivalent	% of pension balance
Estimated pension balance	$280,000	—	100%
Legislated minimum	$14,000	$1,167	5.00%
Recommended drawdown	$21,000	$1,750	7.50%

The minimum pension has been calculated using the estimated pension commencement balance and the minimum pension factor currently applicable to your age. The actual minimum will be calculated using your pension balance when the account commences and may be adjusted proportionately if the pension begins part-way through the financial year.

Why it's appropriate & how it benefits you

- **Tax-free pension environment.**
  As you are over age 60, pension payments from a taxed superannuation fund will generally be tax free. Investment earnings and realised capital gains within the pension account will also generally be exempt from tax.
- **Meets your retirement-income requirement.**
  Together with your estimated Age Pension, pension payments of $1,750 per month are expected to meet your $50,000 annual income requirement after your employment income ceases.
- **Flexible access with continued investment.**
  You can request additional lump-sum withdrawals if required, while your remaining pension benefits stay invested in a diversified portfolio aligned with your agreed risk profile.
- **Greater certainty for your beneficiaries.**
  Provided your nomination remains valid, the trustee will be required to pay your remaining pension benefit directly to Alex and Jordan in equal proportions, generally avoiding estate-administration delays and reducing exposure to estate creditors or challenges to your Will.
- **Tax-effective death benefits.**
  Following the recommended withdrawal and re-contribution strategy, your pension is expected to comprise entirely tax-free component. Based on current legislation, Alex and Jordan should therefore not incur death-benefits tax if the remaining balance is paid directly to them.

Illustrative retirement income position

Income source	Before my advice	After my advice
Estimated Age Pension	$25,000	$29,000
Employment income	$12,400	Nil
Account-based pension	$15,000	$21,000
Total estimated income	**$52,400**	**$50,000**
Target retirement income	$50,000	$50,000

The recommended pension replaces your existing pension and, together with your estimated Age Pension, is expected to meet your $50,000 annual income requirement after your employment income ceases.

Risks, disadvantages & other things you should know

- **Minimum pension requirements apply.**
  You must withdraw at least the legislated minimum pension amount each financial year. This is based on your age and account balance and may change over time.
- **Your capital may reduce more quickly.**
  By drawing pension income above the legislated minimum, you will deplete your pension capital faster. If your pension payments and withdrawals exceed investment earnings, your balance will progressively reduce and may eventually be exhausted.
- **Your balance will fluctuate.**
  Your pension balance will rise and fall with investment markets. Negative returns, particularly during the early years of retirement, may reduce the sustainability of your retirement income.
- **Your income will require review.**
  The initial pension payment of $21,000 p.a. may need to change as your expenses, investment returns, Age Pension entitlement and minimum pension requirements change.
- **Your beneficiary nomination must remain appropriate.**
  The nomination should be reviewed if your circumstances or estate-planning wishes change. It will only remain effective while your nominated beneficiaries remain eligible under superannuation law.
- **Rules may change.**
  Future changes to superannuation, pension, taxation or social-security legislation may affect the benefits of this recommendation.

Alternative strategies considered & why they were dismissed

- **Retain your benefits in superannuation.**
  This would avoid compulsory minimum pension payments. However, investment earnings would generally remain taxable at up to 15%, and you would not receive the tax concessions available within pension phase.
- **Invest in a lifetime annuity.**
  An annuity could provide guaranteed income and reduce your exposure to investment-market movements. However, it would generally provide less flexibility to vary your income or access your capital, and the amount available to your beneficiaries may be lower. Given your estimated Age Pension, available cash reserve and preference for flexibility, an account-based pension was considered more appropriate.
- **Nominate your estate as beneficiary.**
  This could delay payment through estate administration and expose the benefit to estate creditors or claims. As your pension is expected to comprise entirely tax-free component, this option is not expected to provide an additional death-benefits tax advantage.