Understanding superannuation: retirement and the pension phase

Factsheet
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You put money into superannuation during your working life, but once you retire, what happens next? This factsheet is a basic guide to understanding what happens to your super in retirement and how to access it.

As superannuation is intended for funding your retirement, there are strict rules as to how your superannuation monies can be accessed, known as a condition of release.

What is a condition of release?

These are age and employment milestones that will allow you to draw an income from your super. The most common milestones are:

Your preservation age

Once you have fully retired from the workforce and you've reached your preservation age, or you continue to work but have reached age 65, you can access your superannuation. Your preservation age, or the age you can access your superannuation, is determined by your date of birth:

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

If you have reached your preservation age but haven't fully retired, you can still access your superannuation by establishing a transition to retirement (TTR) pension. This essentially limits your income drawing to 10% of your account balance per annum. The intended use for your superannuation after all is to fund your living when you have fully retired, so the policy makers want to prevent you from spending your nest egg before retirement.

It is noted that there are differing tax implications for TTR pensions compared to other retirement income streams.

Reaching age 60 onwards

Another milestone that meets the superannuation condition of release is after turning age 60 and you cease an employment arrangement. For example, changing jobs.

At age 65

Irrespective of your working arrangements or working at all, at age 65 you are free to access your superannuation monies.

On retirement, or meeting one of the conditions of release above, your super can be released as a lump sum, which can be rolled over to a superannuation income stream, otherwise known as an allocated pension, annuity or account-based pension. This allows you to receive a tax-effective regular income.

You purchase a superannuation income stream with your superannuation money. However, once you start an income stream, you cannot add additional funds.

Let's address some specific questions you may have:

Will I be taxed on my super in retirement?

Unlike superannuation held in the accumulation phase, there is no tax payable on your investment earnings during retirement when it is held in a superannuation income stream. However, if you are under age 60, the taxable component of income you receive from a superannuation income stream is taxable, but a 15% tax offset is applied.

If you are aged 60 or over, payments you receive are tax free. Any additional withdrawals are also tax free.

Is there a limit to my income payment amounts?

There is no maximum limit on regular income payments, however there are minimum payments you must withdraw, based on your age.

For traditional account-based pensions, the minimum withdrawals are outlined in the table below:

Age bracket	Minimum income limit
Under 65	4%
65–74	5%
75–79	6%
80–84	7%
85–89	9%
90–94	11%
95 or more	14%

In addition to receiving your regular income, you are able to make lump sum cash outs.

How much can I roll over into my superannuation income stream?

The limit an individual can roll over from accumulation superannuation to the tax-free retirement phase is $1.6 million (adjusted by inflation). This is known as the transfer balance cap and was introduced in July 2017. Effectively, this means you are not allowed to have more than $1.6m in your super income stream.

Example: what to do when a super investment totals $1.6m or more

Dr Smith is 65 and wants to retire. She has accumulated $1.6m in super. Dr Smith wants an income of $100,000 per annum in retirement. If she leaves her investment in the accumulation phase, any earnings on the $1.6m will be taxed at 15%. This means if her investment earns 5% ($80,000) she will be taxed $12,000. She would also need to make ad-hoc withdrawals to meet her income needs.

If she rolls her super over into an income stream, her earnings are tax free and she can nominate that an income of $100,000 be paid to her periodically. This income is tax free as well. She could also make ad-hoc withdrawals if she requires.

Investments: making sure you have enough money in retirement

A super income stream is a 'market'-based product and, as such, carries investment risk, depending on the asset classes you choose. Consequently, your investment may become exhausted before the planned time, leaving you short of income.

Estate planning: looking after your loved ones when you're gone

Upon death, the remaining balance (if any) of your super income stream can be paid to your beneficiary(ies) or to your estate. You can nominate that upon death, your superannuation income stream 'reverts' to a reversionary beneficiary (generally your spouse), or you can nominate a beneficiary or beneficiaries to receive the benefits. This nomination provides guidance to the trustee on how to distribute your funds. Some funds also offer binding nominations that compel the trustee to follow your exact wishes.

Separate to the conditions of release discussed above, there are special circumstances whereby you can access your superannuation as a lump sum withdrawal. There are withdrawal amount limits for each circumstance. Refer to 'Understanding superannuation: the accumulation phase' factsheet.

Get advice that suits your situation

When you retire, you want to enjoy what you've worked for, with a reliable, regular income. And sometimes you need help to plan for a secure financial future. The team at Doctors Wealth Management can review your situation and recommend a solution for your individual circumstances.

You can find additional resources and information about Doctors Wealth Management at avant.org.au/doctorswealthmanagement or call 1800 128 268.

To learn more about the difference that financial advice tailored for doctors can make to your financial wellbeing, book an appointment today. Visit **avant.org.au/doctorswealthmanagement** or call **1800 128 268**.

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