

# Maintaining your lifestyle

Retirement income in plain English

## What is retirement income?

During your working life you receive regular income in the form of a salary or business income. In retirement, this regular income stops, so you need to draw on your savings to meet your lifestyle costs. You rearrange your savings so you still receive regular payments, just like a salary. This is called a 'retirement income stream'.

The type of income stream you can start at retirement depends on whether your savings are inside or outside of super.

## Account-based pension

One way to receive your superannuation savings in regular periodic amounts is by using an 'account-based pension'. An account-based pension starts when you transfer your superannuation savings into a new account, called a pension account, and start to draw down on the money in a series of regular payments.

You can elect how much income you want to receive (equal or above the specified minimum) and can continue to receive regular income until all of your super savings are exhausted, or you pass away. If you die, the balance of your savings, if any, is paid to your nominated beneficiary or to your estate.

## How is your superannuation sourced income taxed?

If you are a member of a typical retail super fund and age 60 or over, all the income from your pension account is tax free. If you are under the age of 60, a portion of your income may be taxable.



Any amount that is taxable typically attracts a 15 per cent tax offset. Investment earnings and capital growth on your retirement pension account are not taxed.

### Will you have enough?

Each year, Australians are living longer due to improvements in medicine and changes to lifestyle. There is a one in two chance that one member of a couple age 60 today will live to age 90. So even if you plan your retirement income strategy using today's average life expectancy, there is a good chance you'll live beyond this age.

### Guaranteed income, for life

A range of products have been developed to provide you with a secure income during your retirement, every year for the rest of your life. Some of these income streams, if you choose to, will continue to pay this income to your spouse even after you die. We can help you determine whether this type of product is right for your needs.

### Annuities

An annuity is the exchange of a portion of your savings for a series of regular fixed payments. Annuities can be purchased with superannuation savings, or money outside of super.

There are three main types of annuities:

- **Fixed term** annuity pays you regular income for a set number of years.
- **Life expectancy** annuity pays you regular income fixed for a term that is based on your life expectancy.
- **Lifetime** annuity pays you regular income for the remainder of your life.

You can purchase these types of income streams individually or jointly. If you choose to start the annuity jointly with another person, you can only use money outside of super to do so.

Your income remains the same each year, unless you include an option called 'indexation'. Indexation allows you to increase your annual payments based on a set percentage, such as 5 per cent per year or the Consumer Price Index (CPI).

### How is your annuity income taxed?

Your annuity income is taxed based on whether you start the annuity with super money or non-super money.

For a non-super annuity, the amount you receive that represents the return of your original investment capital is tax-free. Any excess above which, is taxable.



For an annuity purchased with superannuation money, all the income or withdrawals will be tax free if you are age 60 and over.

### Should you use superannuation savings?

If you are going to start an income stream with money that is not invested in superannuation, there is no age restriction on when you can do this. However, starting an income stream with 'non-super money' may limit your income stream options to certain types of annuities and depending on your circumstances, you may not benefit from the tax savings offered by superannuation.

If you are going to start an income stream with super money, you must meet certain conditions. The amount of super money you can start a new retirement income stream with, is capped at \$1.9 million (indexed).

Due to the law change, you now have a wider range of options in terms of the retirement income streams you can start with super money. In addition to the traditional account-based pensions mentioned earlier (where income is not guaranteed for life), some super funds can offer innovative pensions that provide an income stream for life.

### When can you access your super and start a retirement income stream?

To ensure that superannuation is used for its intended purpose, there are strict rules that determine when you can access your savings and when you can start a retirement income stream with your super.

Generally, you can only access your super when you meet a condition of release, such as:

- you permanently retire from the workforce after reaching preservation age, or
- you cease an employment arrangement on or after age 60, or
- you reach age 65
- you are terminally ill or permanently disabled.

Depending on the type of conditions of release you satisfy, you often have a number of options:

- withdrawing your superannuation in full or in part
- leaving your superannuation as it is, or
- starting a retirement income stream

Each of these options will have different consequences for your situation, such as the amount of tax you will pay and how long your money will last.

## **Centrelink and social security considerations**

If you are receiving government social security benefits you need to understand how your retirement income streams are assessed by Centrelink. Some lifetime income streams commenced after 1 July 2019 and meet certain conditions are assessed concessionally by Centrelink under the asset test and income test.

Speak to a financial adviser and discuss what income stream or combination of income streams are most appropriate for you to ensure you can maximise your income from all sources and maintain your lifestyle in retirement.

This information is correct as of July 2023.

## Explore your options with the help of an expert

We are here to help you realise your goals and dreams, taking the time to get to know your circumstances and what's important to you. And we create a plan tailored just for you.

This information is provided by AMP Financial Planning Pty Limited (AMPPF) ABN 89 051 208 327 AFSL 232 706 and Charter Financial Services Limited (Charter) ABN 35 002 976 294 AFSL 234 655 Ph. 1800 021 466, both wholly owned subsidiaries of AMP and members of the AMP Group. Any advice contained in this document is of a general nature only and does not take into account the objectives, financial situation or needs of any particular person. Before making any decision, you should consider the appropriateness of the advice with regard to those matters. If you decide to purchase or vary a financial product, your advisers, AMPPF, Charter its associates and other companies within the AMP Group may receive fees and other benefits, which will be a dollar amount and/or a percentage of either the premium you pay or the value of your investments. Ask us for more details. Any general tax information provided is intended as a guide only and not to be relied upon. If you no longer wish to receive direct marketing, please call your adviser. To view our privacy policy visit AMP group privacy policy. AMP Advice is a trademark registered to AMP Limited ABN 49 079 354 519.

### **Southern Advisory**

Suite 103, 304-318 The Kingsway  
Caringbah NSW 2229

**P** 02 9524 6711

**E** [info@southernadvisory.com.au](mailto:info@southernadvisory.com.au)

**W** [www.southernadvisory.com.au](http://www.southernadvisory.com.au)

Southern Advisory ABN 63 066 365 929 is an Authorised Representative and its advisers are Credit Representatives of Charter Financial Planning Limited, Australian Financial Services Licensee (02) 9367 2113.