

## Government relief for those drawing superannuation pensions

The global downturn in financial markets has prompted the Federal Government to provide relief for those drawing superannuation income streams (pensions). This will occur through a 50 per cent reduction in the minimum annual pension payment amount that must be drawn from a superannuation pension fund for the year ending on 30 June 2009.

### Background

Since the "Better Super" rules commenced, many superannuation fund members have commenced drawing an income stream from their superannuation funds. The introduction of "Transition to Retirement Income Streams" means that you no longer need to retire to access an income stream from your superannuation fund.

Once an income stream commences from a superannuation fund, the tax rate on earnings on that member's investments within the fund reduces from 15% to nil. In a Self Managed Superannuation Fund this means that realized capital gains on investments of the fund are also tax free.

These features have made it popular for those over age 60 and who are still working, to sacrifice more of their salary or business earnings as contributions into superannuation, then live off a tax free income stream (pension) from their superannuation fund.

### Minimum pension requirements

A minimum amount of pension must be drawn each year to comply with the Better Super rules.

This minimum amount is calculated as a percentage of your member account balance in your fund and your age, as at 1 July each year as shown in the table.

Minimum Pension	
Age at 1 July	Percentage of account
Under 65	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 94	11%
95 & over	14%

### Temporary relief from minimum drawing requirements

The Minister for Superannuation, Nick Sherry announced yesterday that the Government recognizes that the significant downturn in global financial markets has had a negative effect on retirees' superannuation capital in account-based pensions. The Minister acknowledged that the minimum draw down requirements for 2008/2009 financial year were based on asset values as at 1 July 2008, when equity values may have been much higher.

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. This will occur through a 50 per cent reduction in the minimum payment amount for 2008/09.

This 50% minimum payment relief will also extend to Transition to Retirement Income Streams.

For those people who have already taken half of the current minimum payment for 2008/09, the annual nature of the minimum payment rules means that a further payment may not be required from your fund until 30 June 2010 at the latest.

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.

If you have any questions or concerns or would like to discuss availing yourself of the minimum pension relief, please contact Chris Campbell.

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