

TRANSITION TO RETIREMENT (TTR) INCOME STREAM FACT SHEET



WHO SHOULD READ THIS FACT SHEET?

The information in this fact sheet is directed at members who have reached their preservation age and want to know more about their ability to access some of their super while continuing to work. This fact sheet has been prepared to help you understand how a Transition to Retirement Income Stream works, some of the potential benefits, and what conditions you must meet to qualify.

WHAT IS A TRANSITION TO RETIREMENT (TTR) INCOME STREAM?

TTR Income Streams are designed to assist workers in transitioning to retirement by allowing them to access part of their super while continuing to work. It can open up a whole range of opportunities to restructure your working hours and your superannuation as you approach retirement.

TTR Income Streams allow you to receive regular payments (income) from your super, which allows you to reduce your working hours, or salary sacrifice more of your salary into super, without having to forfeit your income.

A TTR Income Stream is an account-based income stream, with minimum and maximum annual payment limits.

The income stream is set up by transferring a sum from a superannuation account into an income stream account. Regular payments are made from this account to give you an income. The amount you receive, and duration for which you receive payments, depend on the amount that you use to open the account.

There are no work test requirements associated with a TTR Income Stream.

Depending on your circumstances, a TTR Income Stream can be used to provide you with a tax-effective income from your super if you:

- have reached your preservation age (your preservation age will be between 55 and 60 depending on your date of birth. See the *How Super Works* Guide for more information); and
- do not yet have full access to your super (you can check how much of your super you have access to, known as your 'Unrestricted Non-Preserved' or 'Cashable' benefits, by logging into your Member Portal account or checking your *Annual Statement*).

While a TTR Income Stream enables you to receive an income from your super, it generally doesn't enable you to make a lump sum withdrawal unless you have 'Unrestricted Non-Preserved' funds or have met a condition of release such as having ceased a job after age 60 or having permanently retired.

HOW DOES IT WORK?

Energy Super offers a TTR Income Stream, which you can start by transferring some of your money from your Energy Super Accumulation (*also known as Defined Contribution*) account, or the accumulation portion only of your Defined Benefit (DB) account.

The main differences between a TTR Income Stream and establishing an income stream after you retire are that a TTR Income Stream:

- 1) does not count toward your transfer balance cap when commenced;
- 2) investment earnings are subject to tax at up to 15% (like a super account);
- 3) you can only make lump sum withdrawals in limited circumstances; and
- 4) there is a restriction on the maximum income you can receive each year.

Please note that when you turn 65 or meet either the permanent incapacity, terminal condition or retirement conditions of release (including having ceased a job after age 60) your TTR Income Stream will be treated like an Income Stream and these differences will no longer apply. For more information on conditions of release see the *How Super Works* Guide and see the *Energy Super Income Stream Product Disclosure Statement (PDS)* for the other differences between the income streams.

Unlike your super account, an income stream account cannot be added to. Consequently, any super contributions made by you or on your behalf, or rollovers from other funds, must be made to a super account. This means that if you wish to take advantage of the TTR rules and have not yet retired, it is more than likely you will need to keep your super account open and transfer your chosen amount to commence a TTR Income Stream. You must leave a minimum balance of \$2,000 in your super account if you wish to keep it open.

The minimum amount you need to commence an Energy Super Income Stream is \$10,000. Once you have transferred money into your income stream account, regular payments will commence at your chosen frequency.

Your TTR Income Stream payments must be between the minimum annual payment and maximum annual payment values each year.

TTR Income Stream payments in a year must be equal to or more than the minimum annual payment (based on age as shown in the table below) and equal to or less than the maximum annual payment (10% of your TTR account balance). If you commence your Income Stream at any date other than

1 July, your minimum annual payment for the year will be pro-rated based on the number of days in that year. This amount will be rounded to the nearest \$10.

TRANSITION TO RETIREMENT (TTR) INCOME STREAM FACT SHEET

In July each year your minimum annual payment is recalculated based on your age and your account balance as at 1 July. You again have the choice of nominating the level of income you receive as long as it is between the minimum annual payment and maximum annual payment requirement.

In March the Federal Government announced that the minimum annual pension drawdown amounts will be temporary halved for the 2019/20 and 2020/21 financial years, in response to the economic impacts of COVID-19. From 2021/22 the minimum payment will return to the previous percentage amounts. Please see the below table for more information.

AGE	TEMPORARY MINIMUM PERCENTAGES FOR 2020/21	MINIMUM ANNUAL PAYMENT PERCENTAGE FROM 2021/22
Under 65	2%	4%
65-74	2.5%	5%
75-79	3%	6%
80-84	3.5%	7%
85-89	4.5%	9%
90-94	5.5%	11%
95 or more	7%	14%

Once you have notified Energy Super that you have retired or met another condition of release, the 10% maximum payment limit no longer applies and you can choose any payment amount above the minimum limit.

LET'S SEE HOW THIS WORKS

Geoff is 58 years old and has a TTR account balance of \$215,687 as at 30 June 2020.

The minimum annual payment he must withdraw from his TTR Income Stream for the 2020/21 financial year can be seen below. To calculate the minimum annual payment, we multiply Geoff's account balance by the minimum payment percentage as shown in the table on the previous page.

ACCOUNT BALANCE	AGE	PAYMENT %
\$215,687	56	2%

Geoff's minimum annual payment for the year equals:

$$\$215,687 \times 2\% = \$4,310.00^*$$

*The answer of \$4,313.74 is rounded to the nearest \$10 to equal \$4,310.00.

This figure changes each year as Geoff's account balance and age changes.

To calculate the maximum annual payment for the year we multiply Geoff's account balance by 10%.

ACCOUNT BALANCE	PAYMENT %
\$215,687	10%

Geoff's maximum annual payment for the year equals:

$$\$215,687 \times 10\% = \$21,568.70 \text{ (this amount does not get rounded)}$$

This figure also changes each year with Geoff's changing account balance.

For the 2020/21 financial year Geoff can then choose any payment amount between \$8,630.00 and \$21,568.70 for the year.

WHAT IF I AM A DEFINED BENEFIT (DB) MEMBER?

You cannot access the DB portion of your DB account to start your TTR Income Stream, only the accumulation portion of your account (i.e. voluntary contributions and/or rollovers) can be used.

Alternatively, depending on your circumstances and subject to agreement with your employer, you can transfer your total DB account to an Accumulation account and use \$10,000 or more of this money to commence an Energy Super TTR Income Stream.

However, transferring from your DB account to an Accumulation account will have an impact on the value of your superannuation benefits and your insurance coverage and a decision to do this should not be made lightly.

In considering if you should transfer to an Accumulation account you should keep in mind that you cannot transfer money back at a later date, for example, in the event of a drop in investment returns due to adverse market conditions.

It is recommended that you seek advice from a licensed financial adviser before you make any decision in this regard.

As there are particular forms that need to be signed by your employer to undertake the transfer process from DB to Accumulation, please contact Energy Super for further information.

Please note: It is important that you notify your employer when you wish to transfer out of DB and set up an Accumulation account with the Fund. This is essential as your employer needs to complete the relevant paperwork to terminate your DB account and change payroll systems to pay the appropriate contributions to your new account. Depending on your pay frequency, this may have an effect on when your TTR Income Stream commences.

WHAT ARE SOME OF THE POTENTIAL IMPACTS OF A TTR INCOME STREAM?

Increase or supplement your income

You can use TTR Income Stream payments to provide extra income if your work income is not enough to meet your living expenses. If you have decided to reduce your working hours in preparation for retirement, TTR Income Stream payments can help cover the gap between your new work income and your required income.

TRANSITION TO RETIREMENT (TTR) INCOME STREAM FACT SHEET

Taxation treatment

Income Stream payments are completely tax free if you are aged 60 or more. If you are aged between preservation age and 59, income stream payments receive the following tax treatments:

- the taxable portion of your income stream payments are subject to tax at marginal tax rates but also receive a tax offset of 15%; and
- the tax-free portion of your income stream payments are not subject to tax and are not included in your tax return.

Possible Centrelink/DVA Impacts

Income streams are usually treated more favourably than your salary for the Centrelink and Department of Veterans' Affairs (DVA) income tests. For some people this may mean increased Centrelink/DVA benefits.

However, if you, or someone in your household is in receipt of other Centrelink/DVA benefits, such as the Disability Support Pension, commencing an income stream could possibly reduce these benefits.

If you commence an income stream before you reach your Age Pension age*, the income stream balance will be counted as an asset. This means it will have the same deemed earning rates applied to it as other categories of financial assets, which will be included as income for Centrelink/DVA purposes. Visit humanservices.gov.au to find out whether you are eligible for the Age Pension.

For information about income test treatments, see our *Income Stream Product Disclosure Statement*.

**From 1 July 2019 the Age Pension age increased to 66 years for people born between 1 January 1954 and 30 June 1955.*

There may be complex tax and cash flow issues involved

You will need to check the impact on your tax position and monitor your cash flow in order to ensure you are meeting your income needs and we recommend you seek financial advice from a licensed financial adviser before you make any decision in this regard. The calculations involved in achieving this can be very complex.

Possible reduction in your retirement savings

Drawing down income via a TTR may cause your benefit at retirement to be lower than it would have been, had you not started the TTR Income Stream.

We're here to help – Call **1300 436 374**

Email info@energysuper.com.au or visit energysuper.com.au

WHAT HAPPENS IF I WANT TO STOP MY ENERGY SUPER TTR INCOME STREAM?

You can stop your TTR Income Stream at any time and transfer back into an Accumulation account as long as you have taken your annual minimum payment for that year. You will not be able to cash it out as a lump sum until you have met a condition of release such as having permanently retired or ceased work after turning age 60. If you do meet a condition of release, you should advise us in writing as soon as possible so that we can update our records accordingly. See the *How Super Works* Guide for more information.

HOW LONG WILL IT LAST?

A TTR Income Stream is not a lifetime pension – there is the possibility that you may outlive your account balance. Some of the factors that may affect the balance of your account, and how long it lasts are:

- the performance of your chosen investment option(s); or
- the amount you choose to take out in your nominated payments; or
- any fees, charges or taxes deducted from your account.

IS A TTR INCOME STREAM RIGHT FOR ME?

Before deciding to transition to retirement with Energy Super, you must read the *Energy Super Income Stream Product Disclosure Statement*. We also recommend you seek professional advice from a licensed financial adviser.

Energy Super offers a financial advice service to members through ESI Financial Services Pty Ltd including over the phone advice on TTR strategies in non-complex situations at no additional cost to members. For more complex TTR advice an agreed fee will be charged.

Please call **1300 436 374** for more information.

This document provides general financial product advice only and should not be relied on as legal or taxation advice, nor does it take the place of such advice. It has been prepared for the general information of members of Energy Super. It does not take into account any member's individual financial objectives, financial situation or needs. Any statements of law or proposals are based on our interpretation of the law or proposals as at 1 July 2020. We recommend that you seek help from a licensed financial adviser before acting on any information in this fact sheet or making any decision about your superannuation benefit. You should obtain an Income Stream Product Disclosure Statement (PDS) and consider the PDS before making any decision. While all due care and diligence has been taken in the preparation of this document, the Trustee reserves the right to correct errors or omissions. If there are inconsistencies between the terms of Energy Super's Trust Deed and this document, the terms of the Trust Deed prevail.

Any information or advice included in this Fact Sheet is provided by ESI Financial Services Pty Ltd (ABN 93 101 428 782) (AFSL 224952) a wholly owned entity of Energy Super (ABN 33 761 363 685). Electricity Supply Industry Superannuation (Qld) Ltd (ABN 30 069 634 439) (AFSL 336567) is the Trustee for Energy Super.