



Accessing Your Superannuation Benefits

August 2011

It is important that trustees of Self-Managed Superannuation Funds (SMSF) understand the restrictions relating to accessing superannuation benefits. In order to access your superannuation benefits you must meet a condition of release. Early access to superannuation benefits is one of the most common breaches of SIS legislation.

Income Streams

Once a member has met a condition of release they are able to commence a pension. Investment earnings relating to a member's pension assets are exempt from tax.

Account Based Pensions

Members must meet a minimum amount and can withdraw 100% of their benefit once they have commenced an account based pension.

Transition to Retirement (TTR) Account Based Pension

A TTR is an income stream that can be commenced before the member has permanently retired from the workforce. Amounts of up to 10% of the member's opening balance, for the relevant financial year, can be withdrawn. Once the member permanently retires or reaches the age of 65 the TTR automatically converts to an account based pension.

Term Allocated Pensions (TAP)

A TAP is a market-linked pension that pays a benefit back to you periodically for a set period of time. This type of pension cannot be started after 20 September 2007. If a member started a TAP before this date, the pension continues to be paid.

Strategies

GTH Superannuation Solutions can assist with strategies to reduce a member's marginal tax rate and/or the taxable proportion of the member's balance.

Minimum Annual Pension Payments

Age	Regular percentage factors	Temporary relief	
		2011/2012*	2010/2011
55-64	4%	3%	2%
65-74	5%	3.75%	2.5%
75-79	6%	4.5%	3%
80-84	7%	5.25%	3.5%
85-89	9%	6.75%	4.5%
90-94	11%	8.25%	5.5%
95 or older	14%	10.5%	7%

*Proposed in May 2011 Budget

Lump Sums

Once a condition of release has been met, lump sum withdrawals can be made.

If a person has retired and is over the age of 55, but under the age of 60, amounts withdrawn that relate to the member's taxable proportion are assessed at the member's marginal tax rate after applying the low rate cap.

Amounts withdrawn whilst over the age of 60 are tax free.

Low Rate Cap

The low rate cap is the limit set on the taxable component of a lump sum benefit that you can receive at a lower or nil rate of tax.

The low rate cap has a lifetime limit that is indexed in increments of \$5,000.

The cap amount for the 2012 financial year is \$165,000.

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Conditions of Release

Superannuation benefits can only be accessed once a condition of release has been met. The current conditions allowing access to benefits are as follows.

Account balances less than \$200

These amounts can be accessed upon termination of employment providing the amount is not a Government co-contribution or any interest accrued on a co-contribution amount.

Age 55 to less than 60

If a member is permanently retired from the workforce and never intends to be gainfully employed or self employed again for 10 hours or more per week, there are no restrictions.

Age 60 to less than 65

If the member has terminated 'gainful employment' they can access their benefits, regardless of future work intentions, e.g. if the member changes from full time to part time work.

Age 65 or more

There are no restrictions.

Death

Permanent ill health

The member can access their benefit if they have ceased gainful employment and are unlikely to work again in a job for which he/she is reasonably qualified.

Severe financial hardship

If the member satisfies one of the 'severe financial hardship' objective tests, a limited amount of money can be released. The amount to be released is limited to a single lump sum between \$1,000 and \$10,000 in any year.

Compassionate Grounds

A member can apply to APRA for an amount of his/her preserved or restricted non-preserved benefit to be released for the use of medical expenses, loan payments, severe disability expenses or to pay for palliative care of the member or one of the member's dependants.

Taxation of Income Streams

Age 55 to less than 60

The taxable proportion of the benefit withdrawn is assessed at the member's marginal tax rate less the 15% pension rebate. The fund may be required to withhold tax on behalf of the member.

Age 60 or more

There is no tax payable on amounts withdrawn from the taxable proportion.

If you have any questions regarding the information outlined in this publication, please call GTH Accounting Group and ask to speak to a member of GTH Superannuation Solutions.

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