

# Q&A: Changes to minimum pension payment requirements

We answer questions you may have about the Government reducing minimum pension payment requirements in 2008/09.

## Why is the Government reducing the required minimum pension payment?

The measure responds to concerns that meeting the minimum pension payment in 2008/09 may mean having to sell investment assets and realise losses in a depressed market.

## Has the announcement been legislated?

Not yet. However, the Government is seeking to legislate this change quickly. To help you take up this offer, we will accept a request to adjust your pension payments in line with the reduced minimum.

If you decide to take up this offer and in the unlikely event that the announcement is not legislated, we will pay you the balance of your current minimum at the end of the financial year.

## Why might I consider reducing or stopping my pension payments?

If you don't need the full amount you currently receive, you may choose to keep your money invested. This may be particularly relevant if you are over 65 and no longer eligible to contribute to a superannuation account.

## Where can I find out my current minimum pension payment?

Your minimum payment requirement was provided in July 2008, or when your pension commenced (if post 1 July 2008). Your financial adviser can also provide this information.

## What are my options for reducing my pension payments?

If you would like to take advantage of the reduced minimum for 2008/09 you can choose to:

- a. stop receiving pension payments for the remainder of 2008/09 if you have already satisfied the reduced minimum payment requirement; or
- b. reduce your regular pension payments for the remainder of 2008/09.

Alternatively, you can do nothing and continue to receive your existing payments.

See the case study overleaf for an example of how these options may apply.

### Speak to your adviser

We recommend you speak to your financial adviser to determine the appropriate strategy for you and whether your income needs will enable you to adjust your payments.

## Does this change also apply to transition to retirement pensions?

Yes. If you have a transition to retirement pension, your calculated minimum drawdown can also be reduced by 50 percent.

### Further information

If you have any questions please contact your financial adviser or call us on **132 652**, weekdays between 8am and 7pm (AEDT).



## Case Study

Andrea (aged 65) commenced an account-based pension three years ago. Her account balance at 1 July 2008 was \$240,000, giving her an initial minimum pension payment requirement for 2008/09 of \$12,000 (i.e. \$240,000 x 5%). She is currently receiving payments at the minimum level (\$1,000 per month) and has so far been paid \$8,000 of the required amount.

Following the announcement, Andrea is only required to receive 50 percent of her calculated minimum (or \$6,000) over the course of 2008/09.

Andrea can choose to:

- stop further payments for the year given she has already been paid \$8,000;
- reduce her payments to a lower amount; or
- do nothing and continue receiving \$1,000 each month.

### Note:

If Andrea chose to receive the minimum pension payment for 2008/09 but preferred this to be paid annually at the end of the financial year, she would need to receive at least \$6,000 from her pension account on, or before, 30 June 2009.

## Do lump sum withdrawals count towards the minimum requirement?

Lump sum withdrawals are included as part of the minimum pension payment requirement for account-based pensions. To determine if you have already received your required minimum, you should add any regular pension payments to any lump sum withdrawals you have received.

Lump sum withdrawals do not count toward the minimum payment requirement of Term Allocated Pensions (which are subject to restrictions in relation to lump sum withdrawals).

## How do I make an adjustment to my pension payments?

We've notified your financial adviser of the proposed changes and they can arrange adjustments with us on your behalf.

Alternatively, if you would like to change your payment arrangements directly, simply complete and return the *Pension Payment Alteration 2008/09* form. A change can also be requested over the phone.

Requested changes will be actioned upon receipt and confirmed to you in writing. We will make every endeavor to process your request before your next payment.

## What if I change my mind?

Please contact us if you want to recommence or increase your regular payments at a later date, or if you want to receive an additional payment.

## What are the implications for my Centrelink or Veteran Affairs arrangements if I change my pension payments?

A reduction to the minimum payment by 50 percent is unlikely to have any impact on age or service pension entitlements for most people. However, we recommend you speak to your financial adviser, Centrelink or the Department of Veteran's Affairs to confirm the impact for you. If you need to advise Centrelink of your revised pension payment amount, contact us for an updated Centrelink Schedule.

## If I have already received more than the revised minimum can I return excess payments to my pension account?

No. Once a pension has commenced you are unable to add to it by way of contribution or rollover. Hence, we are unable to re-credit payments that have already been made. However, we recommend you speak to your financial adviser as there may be other options available to you.

## Will the changes apply beyond the 2008/09 financial year?

At this stage it is unclear whether this will extend to the next financial year. The Government will continue to closely monitor market conditions and examine options for a long-term solution to this issue, following the Australia's Future Tax System Review.