

What are the ELIGIBILITY REQUIREMENTS?

Transition to retirement income streams

To set up a TRIS, you must have reached your **preservation age** (see table) and have at least \$20,000 of “superannuation” money to invest. There are certain minimum and maximum annual payment limits (see **Payment amount** below) and you cannot withdraw lump sums except in certain limited circumstances.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
After 30 June 1964	60

However, once you satisfy a **condition of release with no cashing restrictions** (see next column under **Retirement income streams**) your TRIS will automatically become a RIS and you can then withdraw lump sums over and above your regular income stream payments at any time.

Once you’ve purchased a TRIS, you’re not locked in. You can stop the payments at any time and roll the remaining account balance back into a non-pension superannuation product if, for example, you return to full-time work and no longer want to draw down your super as an income stream.

Retirement income streams

To set up a RIS, you must have fully satisfied a **condition of release with no cashing restrictions** and have at least \$20,000 of “superannuation” money to invest. Conditions of release with no cashing restrictions include:

- reaching your preservation age and permanently retiring;
- ceasing employment with an employer on or after reaching age 60;
- becoming permanently incapacitated;
- reaching age 65.

A retirement income stream works in the same way as a transition to retirement income stream, except that you can also make **lump sum withdrawals** and there is no **maximum limit on your annual pension payments**.

Note that generally, temporary residents are not eligible to start a superannuation income stream.

PAYMENT amount

One of the main attractions of income streams is that you can vary the amount of income you receive, subject to the **minimum** and **maximum** withdrawal requirements. The table provides a summary of the rules governing minimum and maximum withdrawals.

Minimum payment

> For RISs and TRISs

The minimum percentage of your account balance* that must be withdrawn every year depends on your age. Note that for 2009–10, the minimum percentage is half the standard percentage that would otherwise apply:

Age	Standard %	2009–10 %
Under 65	4%	2.0%
65–74	5%	2.5%
75–79	6%	3.0%
80–84	7%	3.5%
85–89	9%	4.5%
90–94	11%	5.5%
95 or more	14%	7.0%

Maximum payment

> For RISs

There is no maximum limit on the amount that can be withdrawn each year.

> For TRISs

A maximum of 10% of your account balance at the start of the financial year may be withdrawn. This maximum limit ceases to apply when you satisfy a condition of release and your transition to retirement income stream becomes a retirement income stream.

* For the purpose of calculating the minimum payments, your account balance means the amount in your account on 1 July in the financial year in which the payment is made or, for the year in which the income stream payments commence, the commencement day. The percentage applies to your age on 1 July in the financial year in which the payment is made or, for the year in which the income stream payments commence, the commencement day. The percentage must be applied proportionately in the year the income stream commences. The amount calculated is rounded up to the nearest \$10. The amount calculated is rounded up to the nearest \$10.

NOMINATING your payment amount

We will write to all members with an income stream account when the account is first opened, and shortly after the start of each financial year. The letter will tell you the minimum amount you **must** withdraw for that year and, if you have a TRIS, the maximum amount you **may** withdraw. Remember, there is **no maximum limit** on the amount that may be withdrawn from a RIS each financial year.

The letter will ask you to nominate the amount of income stream you wish to receive for the current financial year. If you do not nominate an amount, then the payments will remain the **same as the previous year**, unless the payment has to be adjusted to comply with any minimum and maximum requirements that might apply.

You can change the amount of your income stream payments at any time, provided you stay within the allowable limits. You should allow 15 days for your request to be processed. Call Customer Service and we will send you the appropriate forms.

Commutation (cashing), transfer and withdrawal rules

The general rules governing withdrawals from an income stream account are summarised below:

- You must receive at least **one income stream payment** each financial year.

- Your income stream **cannot be transferred** to another person (with the exception of your spouse should you die – see page 5 for details).
- Generally speaking, a TRIS or RIS can be commuted (taken as cash) if:
 - you die;
 - it is to pay the surcharge, a Family Law benefit split; or
 - it is a refund in a cooling off period.
- You can commute a **transition to retirement** income stream to transfer a lump sum to another superannuation product.
- You can commute a **retirement** income stream if there is enough left in your retirement income stream account to pay the minimum amount for the year; or the proportional minimum amount for the year has already been taken.

Commutation withdrawals are generally processed within five working days of receiving all necessary information. There is no minimum withdrawal amount. A withdrawal fee of \$36 currently applies to each commuted lump sum benefit payment.

When can you RECEIVE YOUR PAYMENTS?

You can choose from **five** different payment frequencies and you can change the payment frequency at any time by completing a *Change of member details* form. Your options are:

- **Fortnightly** on a Wednesday, or
- **Monthly** on the 12th day of the month, or
- **Quarterly** on the 12th day of September, December, March and June, or
- **Half-yearly** on the 12th day of June and December. Alternatively, you may nominate the two months you prefer (six months apart) and payments will be made on the 12th day of those two months, or

- **Yearly** on the 12th of June. Alternatively, you may nominate the month you prefer and payment will be made on the 12th day of that month.

If the 12th day of the month falls on a public holiday or weekend, then payment will be made into your nominated bank account on the prior business day. Your income stream can only be paid into an account in your name, or an account which includes your name.



The First State Super website has an **online calculator** that automatically calculates the minimum and maximum income stream payments based on numbers that you provide.



➤ How a TRIS might work in practice

> **EXAMPLE:** This example has been prepared using the Options 55-plus online calculator on the First State Super website.

Mark is 56 and has reached his preservation age. He earns \$80,000 (gross) a year and he wants to keep working and top up his retirement savings by salary sacrificing \$40,000 into super. He plans to transfer \$300,000 from his current superannuation fund into a transition to retirement income stream and draw the maximum income of 10% of his account balance (\$30,000 before tax) to make up the difference in take-home pay.

By using a TRIS to replace the income that he has salary sacrificed, Mark can get an additional \$4,000 (net annually) into super, although he does have a slight reduction in his take-home pay.

	Salary only (per year)	Salary + Salary sacrifice + TRIS income (per year)	Difference (per year)
Effect on take-home pay			
Salary	\$80,000	\$80,000	
LESS Salary sacrifice	N/A	(\$40,000)	
PLUS TRIS income	N/A	\$30,000	
EQUALS Taxable income	\$80,000	\$70,000	
LESS Income tax	(\$17,850)	(\$8,100)	
EQUALS annual take-home pay	\$62,150	\$61,900	(\$250)
Effect on super balance			
Super contribution @ 9% SG	\$7,200	\$7,200	
PLUS Salary sacrifice contributions	N/A	\$40,000	
LESS Contributions tax @15%	(\$1,080)	(\$7,080)	
LESS Transition to retirement income deducted from super balance	N/A	(\$30,000)	
Net increase in super balance	\$6,120	\$10,120	\$4,000

* The tax calculation assumes a 50% tax-free component and applies a 5% rebate to the income stream payment

The Options 55-plus calculator on the First State Super website illustrates the effect of combining different salary sacrifice contribution strategies with withdrawals from a transition to retirement income stream. It is only applicable to people who have attained their preservation age (between age 55 and 60, depending on the date of birth).

In generating this information the calculator will have regard to your age, salary, starting pension balance, extent of salary sacrifice and the amount you elect to receive as an income stream.

First State Super does not guarantee the suitability of these projections or assumptions to your financial circumstances and for this reason you should not make any decision on the information provided without first consulting a licensed or appropriately authorised financial adviser.

This illustration is intended for illustrative purposes only based on certain factors and assumptions. For more information about the assumptions that support the Options 55-plus online calculator, you should go to the First State Super website and click "Transition to retirement" under the Pension tab in the menu bar.

This illustration should not be taken as an estimate or guarantee of the retirement income that would be payable in respect of your retirement and does not constitute a recommendation or statement of opinion about superannuation contributions or the level of pension payments.



For more information about the assumptions that support the Options 55-plus online calculator, you should go to the First State Super website and click "Transition to retirement" under the Pension tab in the menu bar.

TAXATION of income streams

The tax treatment of income streams is complex and cannot be fully explained in this brochure. While this section provides a general description of the tax treatment of superannuation income streams, you should also refer to the information on taxation in the Superannuation Income Stream PDS, and consider obtaining professional taxation advice in regard to your personal circumstances.

When setting up your income stream

Generally, there is no tax payable when setting up your income stream if you transfer money from one Australian superannuation fund to another. However, if the amount transferred comes from a superannuation fund which has not been subject to tax (usually Government retirement schemes) then the untaxed element of the taxable component¹ will be taxed at up to 15% on entry to the Fund. The paying fund must withhold 46.5% tax from the amount of the untaxed element over the untaxed plan cap.

¹ up to an untaxed plan cap of \$1.1 million for 2009-10.

Tax on investment returns

Investment returns from your income stream account are tax free. This is one of the main advantages that income streams have over non-pension superannuation accounts and investments outside super.

Tax on income stream and lump sum payments (other than on death)

Aged 60 and over

If you are aged 60 or over, no tax is payable on your income stream payments or lump sum withdrawals, irrespective of whether or not you have provided your tax file number. However, the payments will be reportable for Centrelink purposes.

Aged under 60

If you are under age 60, part of your income stream payments and lump sum withdrawals may be tax free, and the balance will be taxable. The tax-free amount is calculated according to the tax-free percentage that applies to your account. This tax-free percentage is calculated by the Fund when your income stream account is initially established and it is applied to every income stream and lump sum payment you receive from your income stream account. This percentage is fixed for the life of the account.

The tax-free percentage is calculated as

$$\frac{\text{Tax-free amount rolled in}^*}{\text{Total amount rolled in}}$$

* The tax-free amount rolled in is the sum of all the tax-free components of the superannuation benefit payment that you use to set up your income stream account. Superannuation benefit payments comprise two components – the tax-free component and the taxable component. The tax-free component is made up of a contributions segment and a crystallised segment. Generally, the contributions segment is made up of contributions made from 1 July 2007 which have not been subject to tax in the Fund. Typically, this would comprise your after-tax contributions and any Government co-contribution.

The crystallised segment is made up of concessional components that existed before the Better Super reforms took effect on 1 July 2007. Generally, this amount will include any of the following amounts that applied to you at 30 June 2007:

- pre-July 83 component
- concessional component
- post-June 1994 invalidity component
- capital gains tax exempt component, and
- undeducted contributions since 1 July 1983.

Social Security

The amount of superannuation payments you receive may affect your Social Security benefit entitlements. Both Centrelink and the Department of Veterans' Affairs have two tests to determine your eligibility for benefits – the income test and the assets test. Income streams do not qualify for an exemption from either test. For more information about Centrelink's income and asset tests, go to Centrelink's website, www.centrelink.gov.au

What HAPPENS if you die?

If you wish your income stream to continue to be paid to your spouse after your death, you can nominate your spouse as the **reversionary beneficiary**. This means that if you die with money in your income stream account, your pension will continue and be paid to your spouse. Your spouse will have the option of commuting and cashing out your income stream account as a lump sum, but he or she must be your spouse at the time of your death. If your spouse changes, you can change the person nominated as your reversionary spouse.

If you have **not** nominated a reversionary beneficiary (or if the nominated reversionary beneficiary ceases to be your spouse) you can nominate a **dependant** or your **estate** to

receive the balance of your income stream by completing either a binding or non-binding death benefit nomination.

If you do not make a binding death benefit nomination and do not nominate a reversionary beneficiary, the Trustee will decide who will receive your death benefit. However, the Trustee will consider any non-binding nomination you have made and the terms of your Will when deciding who will receive the benefit.

When the Trustee receives satisfactory proof of the death of a member and there is no reversionary beneficiary, the deceased member's superannuation income stream account balance will automatically be transferred to the Cash investment option until paid out in accordance with the Fund's rules.

TAX on death benefits

Where a death benefit dependant receives a lump sum upon the death of a pensioner, the lump sum will be tax free. If the person is not a death benefit dependant, the tax-free component of the lump sum amount will be tax free. Tax at a maximum rate of 15% plus Medicare levy will be payable on the taxable component of the lump sum.

The taxation treatment of a lump sum superannuation death benefit received by a deceased person's estate will be governed by the above taxation arrangements. For example, where a death benefit dependant of

the deceased is expected to receive all or part of the superannuation death benefit, the estate will be subject to tax as if it were directly paid to the death benefit dependant. However, the person who will receive the lump sum benefit will not pay tax on the benefit at the time he or she actually receives payment.

Generally, a reversionary pension paid to a spouse upon the death of a pensioner will be tax free where the spouse is aged 60 or over at the time he or she receives the benefit, or the deceased was aged 60 or over at the time of death.

Summary of tax on income streams

Tax on	Rate of tax	
The amount you roll in (transfer) to set up your income stream account	Nil, unless the rollover contains an untaxed element of the taxable component.	
Investment returns	No tax	
Death benefits	No tax is paid on lump sum death benefits paid to a death benefit dependant as defined in the tax legislation. The taxable component of a lump sum paid to a non-dependant is taxed at up to 15% ¹ . The taxation of a reversionary pension depends on the ages of both the primary and reversionary beneficiaries.	
Payments	Income stream	Lump sum
> Aged 60 or over	No tax (with or without your TFN).	No tax (with or without your TFN).
> Over preservation age but under age 60	The taxable component is taxed at your personal marginal tax rate ¹ (15% tax offset applies). However, if we do not have your TFN, tax is withheld on the taxable component at the highest marginal tax rate ¹ .	The taxable component is tax free up to the tax-free threshold (\$150,000 for 2009–10, indexed) ² and up to 15% ¹ on the remainder. If we do not have your TFN, tax is withheld on the taxable component at the highest marginal tax rate ¹ .
> Under preservation age	The taxable component is taxed at your personal marginal tax rate ¹ (no tax offset applies unless the payment is a disability superannuation benefit). If we do not have your TFN, tax is withheld on the taxable component at the highest marginal tax rate ¹ .	The taxable component is taxed at up to 20% ¹ . If we do not have your TFN, tax is withheld on the taxable component at the highest marginal tax rate ¹ .

¹ Plus Medicare levy (currently 1.5%)

² The tax-free threshold is indexed in line with Average Weekly Ordinary Time Earnings (AWOTE), but indexation will only take effect when the increase is greater than \$5,000. For example, if AWOTE is 3%, then the increase on \$150,000 is \$4,500 and the amount will not be increased. The indexation is rounded down to the nearest \$5,000 threshold so that the threshold will be increased in the year when the sum of the increments is in excess of \$5,000. The lower cap amount is reduced by any other superannuation benefits that have been applied to it during your lifetime.



How do First State Super's income streams compare to those offered by other funds? See our website www.firststatesuper.com.au (Compare Us) for information.



INVESTMENT choices

Choosing the right investment option for your income stream is important because it will have a big impact on the length of time your account will last.

Investment options with a higher proportion of **growth** assets (shares and property) tend to produce higher long-term returns, although these returns can fluctuate quite widely from year to year. Investors in these options generally have a longer-term investment timeframe.

Conversely, over the long term, the options holding a higher proportion of **income** assets (cash, fixed interest) are more likely to produce lower long-term returns, but the returns tend to fluctuate less than the returns from growth assets.

Whatever investment option you select, it is important to remember that investment returns may be positive or negative.

First State Super offers a choice of eleven investment options – four **pre-mixed** options and seven **single asset class** options. The table shows the options, their long-term allocations to growth and income assets, and their risk profile. Full details of the options can be found in the Superannuation Income Stream Product Disclosure Statement.

Investment options	Growth assets (shares and property)	Income assets (cash and fixed interest)	Risk profile*
Pre-mixed options			▼ Lower Higher ▼
High Growth	90%	10%	Very high risk
Diversified	70%	30%	High risk
Balanced	50%	50%	Medium risk
Capital Guarded	10%	90%	Low risk
Single asset class options			▼ Lower Higher ▼
International Equities	100%	–	Very high risk
Australian Equities	100%	–	Very high risk
Australian Socially Responsible Equities	100%	–	Very high risk
Property	100%	–	Medium to high risk
International Fixed Interest	–	100%	Medium risk
Australian Fixed Interest	–	100%	Medium risk
Cash	–	100%	Low risk

* The risk profile is intended to show the relative/comparative level of risk, or volatility, of each investment option.

Fees

Table 1 shows the fees that apply to pension members.

IMPORTANT: Note that additional fees apply. Please refer to the Fees and other costs section of the Superannuation Income Stream PDS for more information.

Table 2 shows the effect of fees on a \$50,000 income stream account balance invested in the Diversified

investment option over one year. The example is illustrative only based on the factors stated. It should not be taken to provide an estimate or guarantee of the fees you will pay. Note that a minimum income stream payment must be made each financial year but this has not been taken into account in the example.

Table 1

Establishment fee	Nil
Contribution fee	Nil
Lump sum withdrawal fee	\$36
Administration fee	\$52 pa plus 0.20% pa of your account balance
Investment management fee	Varies from 0.05% pa to 0.54% pa depending on the investment option.

Table 2

Diversified option account balance	\$50,000
Administration fees (\$52 + 0.2% x \$50,000)	\$152
Investment fees (0.29% x \$50,000)	\$145
Total fee	\$297
Total fee as a % of account balance	0.59%



STARTING a First State Super income stream

You can start a First State Super income stream by following these steps:

- 1** Read the First State Super Superannuation Income Stream Product Disclosure Statement, which is available from Customer Service or the First State Super website.
- 2** If you have other superannuation account balances that you would like to use to set up your income stream, you should first **consolidate** these amounts into a single superannuation account before setting up your income stream. This is important because you cannot add money to an income stream account once it is established.
- 3** Complete the *Superannuation income stream member application* form at the back of the PDS. Also, if you wish to nominate your spouse as a reversionary beneficiary to receive the balance of your income stream in the event of your death, complete **Section 7 Reversionary beneficiary nomination** on the application form.
- 4** Complete either an *Application for payment of a benefit* form (if using your existing First State Super superannuation account to set up your income stream) or a *Transfer to superannuation income stream* form (if using superannuation money held outside First State Super to set up your income stream).
- 5** You must invest a minimum of \$20,000 and it must be “superannuation” money (ie. money withdrawn or transferred from an existing superannuation account).
- 6** If you have not nominated your spouse as a reversionary beneficiary, complete the *Nomination of beneficiaries* form to make a **binding** or **non-binding** nomination for those dependants you wish to receive your death benefit.
- 7** If you are under 60, you should consider completing the **Tax File Number Declaration** form, which is available from Customer Service on 1300 650 873. The form is also available from post offices and some newsagents.
- 8** Send your completed forms to:
First State Super
PO Box 1229
Wollongong NSW 2500

IMPORTANT: We recommend that you seek advice from a licensed or authorised financial adviser before applying for an income stream.

NOTE: You may be required to provide certain documents verifying your identity at the time you request a benefit payment. Transferring money from an existing First State Super superannuation account to a First State Super income stream account is considered to be a benefit payment and you will have to attach proof of identity to your *Application for payment of a benefit* form. Details of the documents required are included on the form. Other (non-First State Super) funds may have their own proof of identity requirements.

What about FINANCIAL ADVICE?

If you would like personal financial advice, why not give FSS Financial Planning* a call on 1800 665 756 and arrange an appointment with one of their experienced financial advisers.

* FSS Financial Planning services are provided by Q Invest Limited ABN 35 063 511 580 AFSL 238274 trading as FSS Financial Planning. Q Invest, trading as FSS Financial Planning, is not related to FSS Trustee Corporation and provides financial planning services under its own Australian Financial Services Licence. First State Super does not act as an agent or representative of FSS Financial Planning and is not responsible or liable for any advice provided to you by FSS Financial Planning.



Need more INFORMATION?

If you have any questions, please call Customer Service on 1300 650 873 or visit www.firststatesuper.com.au

Customer Service

Phone: 1300 650 873

8.30 am to 5.30 pm (AEST) Monday to Friday for the cost of a local call (unless calling from a mobile or pay phone)

Fax

1300 722 072

Email

enquiries@firststatesuper.com.au

Website

www.firststatesuper.com.au

Important note: This communication contains general information only and does not take into account your specific objectives, financial situation or needs. Accordingly, you should consider the information in this communication having regard to your own objectives, financial situation and needs. Before making a decision about acquiring this product, you should obtain the First State Super Superannuation Income Stream Product Disclosure Statement. A copy is available by calling us or visiting our website. The information contained in this document is current as at November 2009. Prepared by FSS Trustee Corporation ABN 11 118 202 672, AFSL 293340 the trustee of First State Superannuation Scheme ABN 53 226 460 365.