

Pension caps, rates and thresholds

This factsheet provides you with information on pension related caps, rates and thresholds for the 2018/19 financial year.

From time to time these may change as a result of new legislation or the start of a new financial year. For further details, refer to ato.gov.au and humanservices.gov.au.

Tax payable when you start a pension plan

There is generally no tax payable when you start a pension plan.

However, if the taxable component of the amount rolled in has an untaxed element (such as Government unfunded retirement schemes), contributions tax of 15 percent is charged on entry to the fund. If the untaxed element exceeds \$1 million, PAYG tax will be deducted by the paying fund before money is rolled to a pension plan.

Minimum income limits

If you invest in a pension plan, you are required by law to drawdown a minimum income amount each year. There is no maximum amount (except account holders in transition to retirement (TTR) pensions who are subject to a maximum drawdown limit of 10 percent of their account balance).

Age at 1 July	Minimum as a % of account balance as at 01 July 2018 and beyond
Under 65	4%
65 - 74	5%
75 - 79	6%
80 - 84	7%
85 - 89	9%
90 - 94	11%
95 or above	14%

Transfer balance cap

From 1 July 2017, there is a cap on the total amount of superannuation that can be transferred into a tax free retirement account.

For the 2018/19 financial year, the transfer balance cap is \$1.6m.

Tax on investment earnings

Account type	Rate
Account based pension account within the transfer balance cap	nil
Transition to Retirement pension account	15%

Tax on income streams

Regardless of age, tax free component of income stream payments is tax free.

The below table presents tax rate payable on the taxable component of income stream payments.

Age	Taxable component
60 and over	Tax free
55 to 59	Taxed at personal marginal rates ¹ with a tax offset of 15%
Under preservation age	Taxed at personal marginal rates ¹ (15% tax offset is available if receiving disability super benefit).

Tax on lump sum payment

Regardless of age, tax free component on lump sum payments is received tax free.

The below table presents tax payable on the taxable components taken as a lump sum payment.

Age	Taxable component – taxed element
60 and over	All payments are tax free
55 to 59	<p>If TFN has been provided:</p> <p>Taxable component is tax free up to the Low Cap Rate (currently \$205,000) with the balance subject to 15%¹</p> <p>If TFN has not been provided:</p> <p>Taxable component is subject to tax at the highest marginal rate¹</p>
Under preservation age	20% ¹

Tax is payable on the 'untaxed element' of a lump sum payment. Further information on the taxation of lump sum payments can be obtained directly from the Australian Taxation Office website at ato.gov.au.

¹ Plus Medicare Levy

Tax on reversionary pensions

Age	Tax free component	Taxable component
Deceased or Reversionary is age 60 or over	Tax free	Tax free
Deceased and Reversionary are both under age 60	Tax free	Taxed at marginal tax rates ¹ with a tax offset of 15% Tax free once reversionary reaches age 60

Social security

You may be eligible for Centrelink benefits subject to the income and assets test. Your pension plan account balance and income stream is assessable under Centrelink's income and asset test.

Asset test

FULL PENSION

As at 1 July 2018, pensions reduce when your assets are more than the amounts below.

If you're	Homeowner	Non-homeowner
Single	\$258,500	\$465,500
A couple combined, including separated due to illness and 1 partner eligible	\$387,500	\$594,500

PART PENSIONS

As at 1 July 2018, part pensions cancel when your assets are more than the amounts below. Your limits are higher if you get Rent Assistance with your pension.

Where can I get more information?

Tax benefits and payments can be complex and vary depending on your personal circumstances. Therefore, if you require personal tax advice, we recommend you seek professional taxation advice about investing in superannuation.

Contact us

P: 1300 654 720 | E: smartsave@diversa.com.au | W: smartsavesuper.com.au

If you're	Homeowner	Non-homeowner
Single	\$561,250	\$768,250
A couple combined, including 1 partner eligible	\$844,000	\$1,051,000
A couple, separated due to illness, combined	\$993,000	\$1,200,000

Transitional rate pensions

As at 1 July 2018, transitional rate pensions cancel when your assets are more than the amounts below. Your limits are higher if you get Rent Assistance with your pension.

If you're	Homeowner	Non-homeowner
Single	\$512,500	\$719,500
A couple combined, including 1 partner eligible	\$797,500	\$1,004,500
A couple, separated due to illness, combined	\$895,500	\$1,102,500

Income test

Deeming is a set of rules used to work out the income created from your financial assets. It assumes these assets earn a set rate of income, no matter what they really earn.

The current deeming rates and thresholds as at 1 July 2018 are outlined below.

	Thresholds	Deeming rates
Single	Under \$51,200	1.75%
	Over \$51,200	3.25%
A couple (each)	Under \$42,500	1.75%
	Over \$42,500	3.25%

For more information on Centrelink and your eligibility for a Centrelink age pension, visit the Centrelink website, centrelink.gov.au.

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¹ Plus Medicare Levy