

Netwealth Superannuation Master Fund

Information Guide 8

Term Allocated Pension

20 July 2017

This Information Guide is taken to be included in and should be read together with:

- The Product Disclosure Statement for Netwealth Super Accelerator; or
- The Product Disclosure Statement for Netwealth Super Wrap; or
- The Product Disclosure Statement for Russell Investments Super Series;

whichever is applicable to you.

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About this Guide

This Information Guide contains important information about Term Allocated Pensions.

In this Guide 'our website' means:

- netwealth.com.au for Super Accelerator and Super Wrap; and
- netwealth.com.au/russellinvestments for Russell Investments Super Series.

Whichever of the Product Disclosure Statements is relevant to you is referred to in this Guide as the 'PDS'. The PDS is available from our website or by calling us on 1800 888 223. You should consider the PDS and Information Guides that are relevant to you before making an investment decision.

Term Allocated Pensions

A Term Allocated Pension ('TAP') is a 'complying' income stream that provides regular pension payments for an agreed term. It may offer favourable Centrelink treatment and tax concessions, however, access to your money is restricted. These concessions are only available if you established a Term Allocated Pension prior to 20 September 2007.

Transfer balance cap

Information Guide 10: Tax provides a description of the operation of the transfer balance cap.

For the purposes of applying the transfer balance cap a TAP is valued at commencement by multiplying the annual pension payment by the remaining term. Where this value exceeds the cap, it is not an excess transfer balance amount, it does not have to be transferred out of pension phase and there are no excess tax consequences. However, this value will be taken into account when assessing other income streams against the transfer balance cap.

¹ A partial rollover of your Term Allocated Pension may result in the loss of your Centrelink Asset Test exemption, if applicable.

Rollovers

To start a TAP in the Fund, a rollover¹ must be made from another TAP that commenced prior to 20 September 2007, or another allowable type of complying income stream. Most TAPs were originally commenced to provide reasonable benefit limit and Centrelink asset test exemptions and you may need to retain a TAP to continue to meet the exemptions and to ensure that retrospective penalties do not apply. You should seek financial advice if you are unsure about any aspect of your existing TAP.

Care should be taken in transferring from a TAP to another superannuation fund or income stream as this may have a significant impact on the tax and social security treatment of your benefits. You should seek advice in this regard before making any such transfers.

Selecting the term

One of the conditions that must be met for a TAP is that a fixed term is selected. From 'Table 1: Pension terms', select from the range of terms that you can apply to your TAP based on your age and gender (or that of your reversionary spouse) at commencement. Your financial adviser can help you to identify the term that best suits your needs.

Example: calculating the term

Robert is aged 65 when he wishes to rollover his existing TAP to start a TAP in the Fund. He can select from a range of terms between 20 and 35 years (inclusive).

If he nominates his wife Mary (age 60) as a reversionary spouse, he can also select between 27 and 40 years (inclusive).

Table 1: Pension terms²

Age	Allowable pension term in years		Age	Allowable pension term in years	
	Male	Female		Male	Female
55	28-45	32-45	78	10-22	12-22
56	27-44	31-44	79	10-21	11-21
57	26-43	30-43	80	9-20	11-20

² These terms are based on the 2010-12 Australian life expectancy tables.

Payment amount

Age	Allowable pension term in years		Age	Allowable pension term in years	
	Male	Female		Male	Female
58	26-42	29-42	81	9-19	10-19
59	25-41	28-41	82	8-18	9-18
60	24-40	27-40	83	7-17	9-17
61	23-39	26-39	84	7-16	8-16
62	22-38	25-38	85	7-15	8-15
63	21-37	24-37	86	6-14	7-14
64	21-36	23-36	87	6-13	7-13
65	20-35	23-35	88	5-12	6-12
66	19-34	22-34	89	5-11	6-11
67	18-33	21-33	90	5-10	5-10
68	17-32	20-32	91	4-9	5-9
69	17-31	19-31	92	4-8	5-8
70	16-30	18-30	93	4-7	4-7
71	15-29	17-29	94	4-6	4-6
72	14-28	17-28	95	4-5	4-5
73	14-27	16-27	96	3-4	4-4
74	13-26	15-26	97	3-3	3-3
75	12-25	14-25	98	3-2	3-2
76	12-24	14-24	99	3-1	3-1
77	11-23	13-23	100	3-0	3-0

Payment amount

The payment amount is calculated by taking the amount invested in the TAP and dividing it by the pension payment factor applicable to the selected term (see Table 2). This is done both at the time you commence a TAP and on 1 July each year, using the pension payment factor applicable to the remaining term. If you join during the financial year, the pension for that year is calculated proportionately to the number of days remaining in the financial year.

To provide flexibility, there is also the ability to vary the fixed calculated payment amount by 10%, up or down. See the examples below for details of how this is applied.

Table 2: Pension payment factors

Term of pension remaining (rounded to whole years)	Payment factor	Term of pension remaining (rounded to whole years)	Payment factor
45	22.50	22	15.17
44	22.28	21	14.70
43	22.06	20	14.21
42	21.83	19	13.71
41	21.60	18	13.19
40	21.36	17	12.65
39	21.10	16	12.09
38	20.84	15	11.52
37	20.57	14	10.92
36	20.29	13	10.30
35	20.00	12	9.66
34	19.70	11	9.00
33	19.39	10	8.32
32	19.07	9	7.61
31	18.74	8	6.87
30	18.39	7	6.11
29	18.04	6	5.33
28	17.67	5	4.52
27	17.29	4	3.67
26	16.89	3	2.80
25	16.48	2	1.90
24	16.06	1 or less	1.00
23	15.62		

Payment amount

The payment amount is also subject to the minimum payment percentages in Table 3 for TAPs purchased on or after 20 September 2007. Where the calculated payment amount using the pension payment factors in Table 2 is less than that calculated using the minimum payment percentage in Table 3, a minimum payment of at least that calculated in accordance with the minimum payment percentage in Table 3 must be made.

Table 3: Minimum payment percentages

Age	Minimum payment
Under 65	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 94	11%
95+	14%

Example: Bob's pension at age 73

Bob is 73 years old and has a balance of \$300,000 with a term remaining of 20 years. The calculated annual pension amount (using Table 2) is:

\$21,110 (\$300,000 divided by 14.21 = \$21,111.89, which is rounded to the nearest \$10)

Alternatively, pension amounts of 10% above or below the fixed calculated amount may be taken. The annual pension amounts available to him for a full financial year are in the following range:

\$19,000 (\$21,111.89 decreased by 10% and rounded to the nearest \$10)

to

\$23,220 (\$21,111.89 increased by 10% and rounded to the nearest \$10)

This is greater than the minimum calculated using Table 3 which is:

\$15,000 (\$300,000 x 5%)

An annual pension amount of between \$19,000 and \$23,220 can be selected.

Example: Jan's pension at age 85

Jan is 85 years old and has a balance of \$100,000 with a term remaining of 15 years. The calculated annual pension amount (using Table 2) is:

\$8,680 (\$100,000 divided by 11.52 = \$8,680.56, which is rounded to the nearest \$10)

Alternatively, pension amounts of 10% above or below the fixed calculated amount may be taken. The annual pension amounts available to her for a full financial year are in the range:

\$7,810 (\$8,680.56 decreased by 10% and rounded to the nearest \$10)

to

\$9,550 (\$8,680.56 increased by 10% and rounded to the nearest \$10)

The lower end of this range is less than the minimum calculated using Table 3 which is:

\$9,000 (\$100,000 x 9%)

An annual pension amount of between \$9,000 and \$9,550 can be selected.

Lump sum withdrawals

You cannot make lump sum withdrawals from a TAP except in limited circumstances such as:

- to pay the superannuation surcharge;
- to give effect to a Release Authority under the Income Tax Assessment Act 1997;
- to give effect to a payment split under the Family Law Act 1975;
- to purchase another complying income stream.

Upon death, the pension may be continued by payment to the reversionary pensioner, or, where there is no reversionary pensioner, paid as a death benefit.

Tax on income payments

Where you are under age 60 your income stream may be subject to income tax.

Where you are 60 years or older and your income payments are less than \$100,000³, no tax is payable on income payments. If you receive payments of over \$100,000 per year from a TAP, in broad terms, 50% of the excess of the payment over \$100,000 will be included in your assessable income.

Further details about tax on income streams can be found in Information Guide 10: Tax.

General information only

The information provided in this Information Guide is general information only, and does not take into account your personal objectives, financial situation or needs. You should consider whether the information is appropriate for you in light of your personal objectives, financial situation and needs and you should consider seeking advice from a financial adviser before deciding whether to invest in the Fund.

³ This threshold is set at 1/16 of the transfer balance cap (currently \$1.6 million).

Currency of information

The information in this Information Guide is current as at the date of publication and is based on rates, thresholds and laws applying at that date. These rates, thresholds and laws may change and therefore, before relying on any of it, you should consider obtaining specific legal, tax or financial advice relevant to your circumstances from a qualified professional.