Member Notification to Commence an Account Based Pension (Retirement Phase Superannuation Income Stream)

To:	The Trustees Sinclair Smith Superannuation Fund Suite 12, 13-25 Church Street Hawthorn VIC 3122
Member Name:	Bernadine Smith PO Box 478, Ballarat, VIC, 3354

Request to commence an Account Based Pension

I hereby confirm in writing my previous oral request to commence an Account Based Pension on 21/11/2024, with $1,900,000.00 from my accumulation account within the Fund.

I confirm that at the commencement date of the pension, I have met the condition of release of attaining age 65 that qualifies the Superannuation Income Stream to be in Retirement Phase.

Having met the above nil cashing condition, I understand that the value of this superannuation income stream is to be credited to my Transfer Balance Account and assessed against my personal Transfer Balance Cap.

I wish to request at least the minimum payment for the year, but do not wish to nominate an amount at this time. Pension payments will be made at the Trustee's Discretion.

I ask that the Trustees please advise me of the initial minimum payment amount for the Account Based Pension to be paid for the income year.

I request the Trustees make arrangements to lodge the Transfer Balance Account Report (TBAR) for the commencement of this Account Based Pension to the Australian Taxation Office within the prescribed timeframe.

Asset Segregation

I do not wish specific assets to be segregated to support the payment of the Superannuation Income Stream.

Reversionary Beneficiary

I do not wish to nominate a reversionary beneficiary for this pension.

I agree to abide by and to be bound by the provisions of the Fund’s governing rules.

I declare that the information provided for this request is true and correct and will inform the Trustees of any omissions or changes required.

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Signed by the Member Date

Trustee Resolution for the Trustees of
Sinclair Smith Superannuation Fund
Re: Commencement of an Account Based Pension
(Retirement Phase (RP) Superannuation Income Stream)

Trustees: Alexander Sinclair

Bernadine Smith

Receipt of notification to commence an Account Based Pension

An initial oral request to commence an Account Based Pension (RP Superannuation Income Stream) has been received from Bernadine Smith ('Member'). This request has now been confirmed in writing by the Member, intending to take effect from the nominated commencement date.

Pension Name	Account Based Pension
Commencement Date	21/11/2024
Purchase Price	$1,900,000.00
Payment Frequency	at the Trustee's Discretion
Reversionary Beneficiary	No,

The member has indicated that they do not wish to set aside specific assets to support the payment of the pension (i.e. pooled assets).

Condition of Release

Notification has been provided by the Member that satisfies the condition of release of attaining age 65 and qualifies the Superannuation Income Stream to be in the Retirement Phase.

Confirmation of Commencement Date

In accordance with the Member's request and the Fund's governing rules, the Trustees confirm that the commencement date of the Account Based Pension is 21/11/2024 and is to be credited to the Member's Transfer Balance Account on this date.

Powers to Pay Pension

The Directors of the Fund Trustee have the power to pay the Account Based Pension (ABP) pursuant to relevant terms of the Fund's Trust Deed, and will operate in accordance with SIS Regulation 1.06, along with any additional terms and conditions adopted by the Trustee and agreed to by the Member.

Member components

Details of the Member's Accumulation Interest at commencement of the Account Based Pension are as follows:

Tax-Free Component	$321,169.00
Taxable Component	$1,578,831.00

Pension Components

The purchase price of the Account Based Pension will create a separate Superannuation Interest for the Member within the Fund in accordance with the relevant tax laws.

The income stream will consist of tax-free and taxable component in proportion to the Member's Accumulation Interest at commencement being:

Tax-Free Proportion	16.90%
Taxable Proportion	83.10%

Annual Payment Parameters

The required pension amounts have been calculated for the Account Based Pension in accordance with Clause 1 of Schedule 7 in the SIS Regulations.

	%	**Payment Amount ($)**
Minimum Pension	5.0%	$57,780.00
Maximum Pension	100%	$1,900,000.00

Investment Strategy

The Trustee is satisfied that the Fund's current investment strategy provides sufficient liquidity to meet all pension obligations as and when they fall due.

Transfer Balance Cap Reporting

The Trustees are required to notify the Australian Taxation Office (ATO) of the commencement of a Superannuation Income Stream that is in Retirement Phase within the prescribed timeframe to ensure that the amount is credited to the Member's Transfer Balance Account and assessed against the Member Transfer Balance Cap.

The Trustees authorise this pension commencement be reported by the Tax Agent for the Fund. This will be completed using the approved form within the prescribed reporting timeframe.

Member Notification

Notification will be provided to the Member to agree with all relevant details for establishing and paying the Account Based Pension by way of a signed *Trustee Notification of Pension Commencement* form.

Trustee Resolutions

It is resolved that upon receipt of the signed Confirmation from the Member, the Trustees will attend to the following matters:

1. Establish a separate superannuation interest from the Member's Accumulation Interest with the purchase price of the Account Based Pension in the accounts and records of the Fund;
2. Ensure that at least one payment equal to the temporary reduced minimum annual pension amount is paid to the Member for the financial year, calculated in accordance with Clause 1 and 4A of Schedule 7 of the SIS Regulations;
3. Consider any request from the Member to receive an amount greater than the minimum pension. The Trustees may however refuse the request and cease paying the pension at any time;
4. Review the cashflow and liquidity of the fund's existing investment strategy to ensure that the Fund has the ability to meet the pension payment obligations.;
5. Ensure that after the commencement date, to not accept any additional contributions, rollovers or transfers to the capital supporting the Superannuation Income Stream;
6. Advise the Member of the calculated reduced minimum pension in accordance with Clause 4A of Schedule 7 of the SIS Regulations and the maximum pension amount in accordance with Clause 1 of Schedule 7 of the SIS Regulations. Provide information relating to the pension account balance, minimum and maximum pension amounts for each financial year, along with any other information considered relevant;
7. Comply with any PAYG obligations in relation to the pension, ensuring that the relevant amount of withholding tax is remitted and reported on a timely basis (as required);
8. Ensure that no party to the pension will use the capital value of the pension as security for any borrowings;
9. Continue to pay the pension each financial year until such a time that the pension may cease, including where the capital of the pension is exhausted, by commuting the pension or as otherwise contained within the SIS Regulations;
10. Allow for the pension to be commuted, in whole or part in any of the situations as outlined within SIS Regulation 1.07D;
11. Confirm that a Product Disclosure Statement (PDS) and an Application Form has been provided to the Members as required under section 1012B of the Corporations Act 2001 as completed by the Trustees;
12. Instruct the Tax Agent of the Fund to report the pension commencement to the Australian Taxation Office as a credit to the Member's Transfer Balance Account within the prescribed timeframes; and
13. Attend to any other matters relevant to the above resolutions and operation of the Fund including:
    a. Preparation and lodgement of any notices to the Australian Taxation Office to enable payment of the income stream; and
    b. Any tax adjustments in the SMSF Annual Return and financial statements.

A copy of these Trustee Resolutions is to be retained within the records of the Fund for the minimum prescribed period of time.

We hereby agree to and confirm the above Resolutions.

Alexander Sinclair

Trustee

Date

Bernadine Smith

Trustee

Date

Trustees Notification of the Commencement of an Account Based Pension (Retirement Phase (RP) Superannuation Income Stream)

From:	The Trustees Sinclair Smith Superannuation Fund Suite 12, 13-25 Church Street Hawthorn VIC 3122
To:	Bernadine Smith PO Box 478, Ballarat, VIC, 3354

We acknowledge your request and hereby confirm the commencement of your Account Based Pension from 21/11/2024 with $1,900,000.00 from your Accumulation Interest. We confirm that the start date is in accordance with your oral request and as a Superannuation Income Stream in Retirement Phase, the commencing value has been reported to the Australian Taxation Office as a credit to your Transfer Balance Account.

In order to commence the Account Based Pension, please confirm the following details:

Conditions of the Superannuation Income Stream

The Account Based Pension (ABP) will be paid to you in accordance with the terms of the Fund's Deed, the Superannuation Laws, along with any additional terms and conditions that have been agreed with you and adopted by the Trustee as outlined below.

Minimum & Maximum Pension Amounts

Your minimum and maximum annual payments for the income year are:

	%	**Payment Amount ($)**
Minimum Pension	5.0%	$57,780.00
Maximum Pension	100%	$1,900,000.00

You have indicated to receive at least the minimum pension to be paid at the Trustee's Discretion.The Trustee(s) will retain discretion at this time regarding the pension amount to be paid for the income year. At least the minimum pension payment will be made.

By law, you are required to take at least one pension payment per year and this amount must be equal to or greater than the minimum amount for your age at commencement or 1 July each income year.

You have not nominated any reversionary beneficiary for this pension.

The payment of the Superannuation Income Stream will be supported through the existing pool of Fund assets (unsegregated).

Pension Proportions

On a per payment basis, each pension withdrawal must be taken in proportion to the tax-free and taxable components at the commencement of the Account Based Pension.

We note that the tax-free proportion of your pension has been calculated as 16.90%.

Commutation

We note that your Account Based Pension can be commuted in part or in full in accordance with the SIS Regulations. Any commutation must be reported to the Australian Taxation Office within the prescribed timeframes to be applied as a debit from your Transfer Balance Account.

Security

You cannot use the capital of this pension as security for any borrowing.

Additional capital

No further contributions or rollovers can be added to the capital supporting the payment of this pension, nor any reserve transfers.

Income Tax Status

As you are 60 years of age or older, the pension you will receive is non-assessable non-exempt income (NANE), that is tax-free to you.

Notification of changes

If you wish to change any of the variables of your Account Based Pension (including the Commencement Date, or payment amount), please contact us in writing as soon as possible.

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Signed on behalf of the Fund Trustee Date

Member Acknowledgement	
I, Bernadine Smith, agree to be bound by the Fund's Governing Rules, Income Tax and Superannuation Laws for the payment of the RP Superannuation Income Stream, as notified to me by the Trustees. I hereby confirm the accuracy and completeness of all the information set out in this letter:	
Signed by the Member:	

Sinclair Smith Superannuation Fund

SUPERANNUATION INCOME STREAMS

PRODUCT DISCLOSURE STATEMENT

ISSUED TO:	Bernadine Smith
ISSUED BY:	The Trustees of Sinclair Smith Superannuation Fund
DATE:	

MEMBER ACKNOWLEDGEMENT

I, Bernadine Smith of PO Box 478, Ballarat, VIC, 3354, acknowledge that I have read the Product Disclosure Statement in relation to the commencement of a pension from my self-managed superannuation Fund.

Signed: ____ Date: _______/_______/_______

1. Introduction

The *Corporations Act 2001* (Cth) provides that where a person is provided with a financial product, they must receive a Product Disclosure Statement (‘PDS’). The PDS must detail that person’s rights and entitlements with respect to that financial product.

Under the Corporations Act, it is a financial product when a Member of a Fund commences a superannuation income stream. A PDS should be provided to the Member prior to the commencement of any pension.

A PDS is a statement that contains information required by the Corporations Act to provide consumers with sufficient information to make informed decisions in relation to acquiring a financial product. For the purposes of this PDS the issuer is the trustee whose name and address may be found in the records of the Fund. This PDS must be read in conjunction with the trust deed of the Fund - where all rights and entitlements of Members, their dependants as well as duties and responsibilities of the trustees are to be found. Where a word is shown in this PDS in capital letters, it is a term that is defined within the SMSF Trust Deed.

2. Accessing Superannuation Benefits

A Member can only access superannuation benefits having met certain conditions, such as retirement. Please refer to ‘Accessing Member Superannuation Benefits’ (at section 7 below) for the circumstances where a Member can officially access their superannuation benefits - i.e. meeting a condition of release. Where a Member becomes entitled to receive a benefit payment from their Superannuation Interest, this can be paid as either an income stream, lump sum or any combination of the two.

Careful consideration needs to be given as to how a Member takes payments from their Fund as there may be various advantages or consequences of how benefits are accessed.

3. Paying a Superannuation Income Stream

A Member or a tax dependant beneficiary of a Member may become entitled to be paid a Superannuation Income Stream - called a Pension – from the Fund.

When a pension is commenced within a Fund, the amount of assets set aside to support the pension for the purposes of the Income Tax Law is identified as a separate Superannuation Interest. That is, the account balance used to commence the Pension will always be deemed to be separate of any other account balance (pension or accumulation) the Member may have within the Fund.

When commencing a Pension the components must be in proportion to the Tax-Free and Taxable Components that make up the Member’s Superannuation Interest in the Fund at the time of commencement. The proportion of taxable and tax-free components established at the commencement of the pension will typically remain throughout the life of the pension (unless fully commuted).

This can be an important consideration for estate planning purposes where the pension has a significant level of tax-free component within the interest. For example, if a pension account was established with entirely tax-free component, it will **always** be tax-free (including Fund earnings generated on the pension account).

An Account Based Pension (“ABP”) can be commenced with all or part of a Member's account balance in the Fund. The rules applicable to this type of pension are covered below, along with the variation to these rules for a Transition to Retirement Income Stream (“TRIS”).

3.1 Account Based Pension

The rules of an Account Based Pension include the following:

- The minimum payment amount each year is based on a percentage determined by the Member's age per Table 1 below.
- A payment equal to or greater than the minimum must be paid at least annually.
- The account cannot be increased after the commencement date by the addition of contributions or rollovers to the underlying capital of the pension. Depending on your age, this does not preclude you from making further superannuation contributions into a separate Superannuation Interest (account) within the Fund.
- Is commutable subject to special rules applying for Transition to Retirement Income Streams (see section 4.2 below).
- Cannot be used as security for any borrowings (incl. payment amounts or underlying capital).
- Can be transferred upon death of the Member to a tax dependant beneficiary in the form of a lump sum (either directly or via the estate), pension or combination of both. Where a tax dependant beneficiary does not exist, the death benefit must be cashed and paid as a lump sum as soon as practicable to the nominated beneficiaries or the estate of the Member.

3.2 Minimum Pension

Schedule 7 of the SIS Regulations outlines the minimum payment amount for a superannuation income stream. The percentage factor to be applied is based on the Member's age at the commencement of the pension or at 1 July each year (when the revised pension level is calculated for the following year based on the Member's account balance.)

The table below summaries these temporary minimum pension changes.

Table 1:

Member Age	% of account balance to be taken
55 to 64	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 95	11%
95 +	14%

Where a pension is commenced after 1 July, the minimum payment amount is to be pro-rated based on the remaining number of days in the financial year. No minimum pension is required to be taken where a pension commences on or after 1 June.

Where a pension is paid as a Transition to Retirement Income Stream ("TRIS"), a maximum of 10% of the account balance applies each year until a condition of release with a nil cashing restriction has been satisfied by the pensioner (e.g. retirement). Note that no pro-rata amount applies to the maximum pension of a TRIS, regardless of the time of year when the pension is commenced. In addition, a TRIS cannot be commuted to a lump sum, unless it is in the Retirement Phase, but can be rolled back to accumulation, subject to the Member having taken a pro-rata minimum pension amount prior to the pension ceasing.

From 1 July 2017, pension payments can only be made in cash, however an in-specie benefit payment (i.e. lump sum) can be paid to a member following the commutation (in part or full) of the income stream.

3.3 Reversionary Beneficiary

An important decision at the time of commencing a pension is whether the Member wishes for the pension to automatically continue to a tax dependant in the event of death. For a pension to automatically continue, a dependant beneficiary of the deceased Member must be automatically entitled, under the:

- governing rules of the Fund; or
- rules of the income stream

This decision to nominate a reversionary beneficiary is typically established at the time a pension is commenced. In limited circumstances, you may be able to appoint (or remove) a reversionary beneficiary after the pension has been established, subject to the rules of the Fund and the income stream.

3.3.1 Who can be a reversionary?

Only your spouse, your children aged under 18, your financial dependant (at the time of your death), or somebody in an interdependency relationship with you. Your children can only be nominated as a reversionary beneficiary if they:

- Are under 18 years of age.
- Are aged 18–25 and financially dependant on you immediately before your death; or
- Have a disability as outlined in the *Disability Services Act 1986* (Cth).

In the circumstances where a pension is payable to one or more of your children, they will be eligible to continue to receive the pension up to age 25 (unless the capital is exhausted, or the Fund's governing rules specify an earlier period). Upon reaching age 25 (unless they have a disability as outlined in the *Disability Services Act 1986* (Cth)) superannuation laws specify that any remaining balance must be paid as a tax-free lump sum.

3.4 Segregation

Another important decision of the Member when commencing a pension is to decide whether to:

- set aside specific assets to support the income stream; or
- leave the Fund assets pooled and proportionately receive a share of the Fund's income.

If it is decided to segregate specific assets, the assets must be dealt with solely to enable the Fund to discharge all or part of its pension liabilities. In order for an asset to be segregated, it typically cannot be invested, held or dealt with partly for more than one purpose. Assets which are segregated and have a market value exceeding the account balance supporting the pension at commencement will not be considered to be segregated.

Where a Fund does not specifically set aside assets, it will need to obtain an actuarial certificate to determine the percentage of exempt current pension income.

Changes from 1 July 2017 restrict a Member from applying segregation for income tax purposes where their they are in receipt of a pension in the Retirement Phase, and they have a total superannuation balance that is greater than $1.6 million at the end of the prior income year – the only exception is where the Fund is entirely in retirement phase for the whole financial year.

4. Transfer Balance Cap and the Retirement Phase

The Superannuation Laws for the payment of Superannuation Income Streams (or Pensions) limit the amount of capital available that is eligible for tax exemption on Fund earnings.

A General Transfer Balance Cap (“general cap”) applies on the total amount of Superannuation benefits that a Member can transfer into the ‘Retirement Phase’. It does not matter how many different super accounts you hold these balances in.

The amount of the general cap for 2024-25 is $1.9 million (having started at $1.6 million when these laws commenced on 1 July 2017). The general cap indexes periodically in $100,000 increments in line with CPI. The amount of indexation you will be entitled to will be calculated proportionally based on the amount of your available cap space. If, at any time, you meet or exceed your cap, you will not be entitled to future indexation (i.e. you will have used 100% of your cap).

You will be able to make multiple transfers into Retirement Phase if you have available cap space.

Where you have Superannuation Interests in the Retirement Phase, you will have a personal Transfer Balance Cap (“personal cap”), which cannot be shared with any other person. To determine your position with respect to the Transfer Balance Cap, you have a transfer balance account. This tracks the net amounts you have transferred to the Retirement Phase.

The transfer balance account works in a similar way to a bank account. Amounts you transfer to, or are otherwise entitled to receive, from the Retirement Phase give rise to a credit (increase) in your transfer balance account. Certain transfers out of the Retirement Phase give rise to a debit (decrease) in your transfer balance account.

The Transfer Balance Cap applies to everybody currently receiving a Pension or annuity, in addition to any new Income Stream or annuity that commence from 1 July 2017. Where a Retirement Phase Income Stream is commenced from 1 July 2017, you:

- will need to ensure that your Account Based Pensions, Transition to Retirement Income Streams (in the retirement phase) and annuities do not exceed your personal cap.
- may need to include income from any capped defined benefit Income Stream (NB. these are legacy pensions in a SMSF) in your income tax return if you are over 60 and may be required to pay more tax.
- will need to ensure that if you have a mix of Pension types, with a total value exceeding your personal cap that you reduce any Account Based Pensions to reduce the total value of all your Pensions below the Transfer Balance Cap.

Whilst there is a limit on the amount of assets you can transfer into a tax-free Retirement Phase account from 1 July 2017, this does not affect the amount of money that you can have in the Accumulation Phase of a Fund. Any amount of Superannuation you have in your Fund above the General Transfer Balance Cap can be retained in the Accumulation Phase and/or be taken as Lump Sum payments (out of Superannuation). Where retained within an accumulation account, a 15% tax rate will apply to the Fund earnings of this Superannuation Interest.

Note: The Federal Government is proposing an additional 15% tax on earnings credited during an income year, where individuals have a total super balance above $3 million. If legislated, this is intended to apply from the 2025-26 financial year.

4.1 What counts towards your cap?

The cap limits the amount that you can transfer into Retirement Phase to start a Pension or annuity over the course of your lifetime. This is no matter how many accounts you hold or how many times you transfer money into Retirement Phase. The cap also includes the value of Pensions or annuities you may start to receive for some other reason, for example:

- your spouse has died, and you are receiving, or start to receive, a Pension from their Superannuation balance (e.g. as a reversionary beneficiary).
- your former spouse has been ordered to pay you a portion of their Superannuation Income Stream as part of a family court settlement.

The following table outlines events that can be debits and credits to your transfer balance account to be assessed against your cap:

Debits (-)	**Credits (+)**
Where you commute (in part or in full) a Superannuation Income Stream.	Super income streams that were in existence just before 1 July 2017 and you continue to receive them after that date – including both reversionary and non-reversionary death benefit income streams.
Receiving a structured settlement payment and then contributing the amount into Superannuation (e.g. personal injury payment).	New super income streams that started after 1 July 2017 – including both reversionary and non-reversionary death benefit income streams.
An event that results in losses due to fraud and bankruptcy.	When a transition to retirement income stream enters retirement phase
Where a payment split occurs as a result of divorce or relationship breakdown (family law payment split)	Repayments from a limited recourse borrowing arrangement under a contract entered into on or after 1 July 2017
Where the superannuation income stream fails to comply with the pension standards, or ceases to be in the retirement phase	Excess Transfer Balance earnings on amounts that have been reported.
Non-commutable excess transfer balance amounts.	Other circumstances as provided for by the regulations.
Other circumstances as provided for by the regulations.	

Once the commencement of an Income Stream has been reported against your transfer balance account, the cap does not apply to any subsequent growth or losses of this Pension, nor Pension withdrawals. This means that:

- if you start a Pension with $1.9 million and the value of that Pension grows to $2.3 million, you will not exceed your cap and the tax exemption continues to apply to the Fund earnings it generates.

- if you start a Pension with $1.9 million and the value of that Pension goes down over time as you use it to live on or you suffer losses, you can't 'top up' your Pension accounts. You will still be able to access other Superannuation amounts you may hold in the Accumulation Phase by taking these as a 'Lump Sum'.

4.2 Transition to Retirement Income Streams

Transition to Retirement Income Streams (TRIS) rules mean that such Pensions will not count towards your Transfer Balance Cap until a nil cashing restriction has been satisfied and written notice provided to the Trustee (unless you have reached age 65 – no written notice required).

Once a Pension has commenced as a TRIS, it will always remain as a TRIS until it ceases. Where you satisfy a nil cashing restriction (other than death), the TRIS becomes eligible to move to the Retirement Phase. The current value of the TRIS at the time of written notice by you to the Trustee or where you reach 65 years of age will be reported as a credit against your Transfer Balance Cap. Subject to the superannuation laws and the Fund's Deed, the restriction of the 10% maximum for the TRIS, along with the cashing restriction (i.e. access to the capital) will no longer apply once the income stream moves to the Retirement Phase.

Please note that special rules apply to Pensions paid to children in the event of a parent's death. Furthermore, concessions exist with the Transfer Balance Cap to subtract the value of any structured settlement contributions (i.e. from a personal injury payment) made into Superannuation.

If you have a transfer balance account that is more than your personal cap you will need to:

- remove any amount plus the Excess Transfer Balance earnings, from Retirement Phase; and
- pay Excess Transfer Balance Tax on the earnings (15% for first time breach, 30% thereafter)

The ATO will issue a determination for any such breach of your personal cap to remove the excess amount, or alternatively where you identify the breach, you may request the Trustees to reduce this excessive amount.

4.3 Event-based reporting obligations

Funds must report all Superannuation Income Streams in the Retirement Phase to be assessed against the Member's Transfer Balance Cap. These reporting requirements are event-based and must be completed using the ATO approved form, the Transfer Balance Account Report (TBAR). Details of the various debit and credit events were listed within section 4.1. SMSFs must report events impacting their members' transfer balances within 28 days after the end of the quarter in which the event occurs.

4.3.1 Example

Jack and Jill are members and trustees of the Up the Hill SMSF. Jack has a total superannuation balance (TSB) of $1.2 million and commences an account-based pension on 1 July 202X. His wife Jill has a TSB is $500,000 and commences an Account Based Pension at the same time.

The SMSF must report both events for Jack and Jill that impact their transfer balances 28 days after the end of each quarter- i.e. by 28 October 202X.

There are many important considerations to understand within the current superannuation laws. You are encouraged to seek specialist SMSF advice from a suitably qualified professional to ensure that you understand all of these relevant issues and opportunities with the payment of benefits from your SMSF.

5. Taxation of Member Benefits

Benefits paid to a Member will be taxed depending on their age. For a person over 60 years of age, any amount taken as a lump sum or pension is non-assessable, non-exempt income (that is, tax-free). For a person under 60 years of age, benefits will continue to be taxed in the hands of the recipient.

5.1 Pension

Under the Income Tax Assessment Act 1997 ("ITAA 1997") a pensioner that is less than 60 years of age may be required to include the taxable component of their pension as assessable income in their personal income tax return each year, these pensions are likely to be disability superannuation income streams or death benefit income streams, and pensioners in receipt of either of these is entitled to a 15% tax offset where tax is applicable. It is the responsibility of the Fund to calculate and withhold any pay-as-you-go (PAYG) withholding tax from the pension throughout the year based on the information provided by the Member in the TFN declaration.

Where you may be in receipt of a legacy pension (e.g. market linked pension or complying pension), these income streams from 1 July 2017 are classified as capped defined benefit income streams (unless commuted and repurchased post 1 July 2017). Subject to the calculated value of this income stream against your personal cap, additional taxation rules may apply to any pension payments received. You should seek professional advice about the impact of these capped defined benefit income streams as part of the new superannuation measures.

5.2 Lump Sum

Where a Member is entitled to and takes a lump sum benefit, different tax rates apply based upon their age. Where the Member is less than preservation age, the maximum tax rate on the benefit is 20% plus the Medicare levy (2%). Any lump sum amount taken from the Fund must be taken in proportion to the taxable and tax-free components of the Member's Superannuation Interest at the time of the withdrawal (including where the lump sum is taken from a pension that is fully commuted).

Any lump sum amount elected to be taken from the Fund as part of a partial commutation of an income stream must be taken in proportion to the taxable and tax-free components of the Member's Superannuation Interest at the commencement of the pension. This lump sum amount arising from the commutation does not form part of the Member's minimum pension obligations for the financial year (per Schedule 7 of the SIS Regulations).

Any lump sum payment can be made in cash or as an in-specie transfer (e.g. off-market transfer of listed shares).

6. When does a pension cease?

There are a range of circumstances where a pension may cease. This is determined by reference to the Fund's governing rules, the requirements of the SIS Regulations, and the facts surrounding the Member (or dependant beneficiary) the pension is being paid to.

The Commissioner of Taxation has stated in Taxation Ruling, TR 2013/5 that a pension may cease in the following circumstances:

When all pension capital is exhausted:

A pension ceases when the capital supporting the income stream has been reduced to zero and the Member no longer has a right to have any other amounts applied to that pension (e.g. via a contribution or a rollover amount).

When the superannuation pension rules have not been complied with:

If a superannuation Fund fails to meet the pension rules for an income year (e.g. failure to pay the minimum pension amount), the pension will have been taken to have ceased at the start of that income year, with all amounts taken to be treated as lump sums. In addition, the Fund would be denied any tax deduction to exempt current pension income – that is, a tax exemption on income received from assets supporting the pension.

There are limited circumstances where the Commissioner may be able to use his Powers of General Administration (GPA) to allow for a pension to continue in the event that the pension rules have not been complied with.

When the pension is commuted:

A pension will also cease where a Member (or dependant beneficiary) elects to exchange all of his or her pension entitlements for a lump sum. A pension does not cease when a Member (or dependent beneficiary) elects to exchange part of his or her pension entitlements for a lump sum.

A commutation may arise through the ATO issuing a commutation authority where you have an excess transfer balance and are required to reduce one or more income streams to comply with the transfer balance cap.

When a Member dies:

If a Member who is in receipt of a pension dies, and there is no automatic entitlement to continue to pay the pension to a tax dependant beneficiary, the pension will cease at the time of death. Refer to section 4, 'Transfer Balance Cap and the Retirement Phase' for further information about the impact of a death benefit income stream (reversionary or non-reversionary against your transfer balance cap).

Importantly, tax laws will allow for a Fund's tax exemption to continue beyond the death of a Member until such a time that the death benefit has been paid to the estate or beneficiaries. There are a range of estate planning strategies around the structuring of income streams that a Member should consider seeking specialist SMSF advice.

By operation of the payment standards in the SIS Regulations:

A superannuation pension may cease due to the specific requirements of the payment standards in the SIS Regulations. An example of this would be the requirement that a pension is cashed as a lump sum if it is being paid to a financially dependant child of a deceased Member. In such a situation, the pension ceases at the time specified in the Fund's governing rules or on the day the child attains age 25, whichever occurs first.

7. Accessing Member Superannuation Benefits

At any time, upon satisfying a condition of release under the Superannuation Laws, a Member may seek to be paid a Superannuation Benefit from one or more of the Superannuation Interests held by the Trustee of the Fund on their behalf. However, it is not a compulsory requirement of the Fund for a Member, upon satisfaction of a condition of release, to automatically commence their Superannuation Benefit.

A Member is entitled to maintain their Superannuation Interests for the benefit of their Dependants or Legal Estate in their event of their death. A Member of the Fund can also Rollover or transfer their Transfer Superannuation Interest to an Eligible Entity. This Eligible Entity may include, but is not limited to, a complying Superannuation Fund or another Complying SMSF.

There are several circumstances where a Member of the Fund can officially access their Superannuation Benefits from their Superannuation Interests. These circumstances include, but are not limited to the following:

- Temporary Incapacity and Permanent Incapacity.
- Terminal Illness.
- Retirement or at age 65.
- Under Severe Financial Hardship or on Compassionate Grounds.
- When a Member reaches Preservation Age and can commence a Transition to Retirement Income Stream.

On the death of a Member of the Fund, numerous Superannuation Laws apply to the payment of Death Benefit Superannuation Lump Sums and Death Benefit Superannuation Income Streams. The Trustee shall pay due regard to any Member's death benefit instructions and the Fund's governing rules in making any Death Benefit payments. Benefits that may be paid at the time of the death of a Member include, but are not limited to:

- a Superannuation Lump Sum may be paid on the death of a Member to a Dependant, the deceased Member's Legal Estate, charity, or public benevolent institution; and

- Superannuation Income Stream may be paid to a Dependant for taxation purposes which includes all those persons who are Dependants but in the case of a Child, only a Child who is aged less than 18 unless they were financially dependent upon the deceased Member. Where an Income Stream is paid to a Child in accordance with the Superannuation Laws, it must be commuted no later than the 25th birthday of the Child.

Subject to the Superannuation Laws and the Fund retaining its Complying SMSF status, a Dependant includes a Child of the Member, a person in an Inter-Dependant Relationship with the Member, any financial dependant of the Member irrespective of age and anyone who in the opinion of the Trustee is a Dependant of the Member.

The Member may request the Trustee to Allot, Rollover or transfer a Superannuation Interest for the benefit of a Spouse as part of the Contributions Splitting laws. Similarly, a Member can request the Trustee to Allot, Rollover or transfer a Superannuation Interest for the benefit of an ex-Spouse or Spouse pursuant to a Family Law Payment Splitting Notice. With respect to any Family Law Payment Splitting Notice, subject to the Superannuation Laws and the Fund retaining its Complying SMSF status, it shall be at the Trustee's total unfettered discretion as to how any Superannuation Interest or Superannuation Benefits are to be paid and to which Eligible Entity payment will be made.

SCHEDULE 1

As of 1 July 2024

Item 1 - Preservation Age

Your preservation age depends on your date of birth as shown in the following table:

Date of Birth	Preservation Age
Before July 1960	55
July 1960 — June 1961	56
July 1961 —June 1962	57
July 1962 — June 1963	58
July 1963 — June 1964	59
After June 1964	60

Item 2 – General Transfer Balance Cap

The transfer balance cap applies from 1 July 2017. It is a limit on the total amount of superannuation that can be transferred into the retirement phase. All your account balances will be included when working out this amount. It does not matter how many accounts you hold these balances in. You can continue to make multiple transfers into the retirement phase as long as you remain below the cap.

Year	General Transfer Balance Cap
2024-25	$1,900,000

Item 3 – Tax Treatment of Benefits

<table>
<tr><th colspan="4">Lump Sum Member Benefits</th></tr>
<tr><th rowspan="2">Age</th><th rowspan="2">Tax Free Component</th><th colspan="2">Taxable Component</th></tr>
<tr><th>Element Taxed</th><th>Element Untaxed</th></tr>
<tr><td>Under preservation age</td><td>Non-assessable non-exempt income</td><td>20%</td><td>• 30% up to $1,780,000
• 45% above $1,780,000</td></tr>
<tr><td>60 and over</td><td colspan="2">Non-assessable non-exempt (NANE) income</td><td>• 15% up to $1,780,000
• 45% above $1,780,000</td></tr>
</table>

Income Stream Member Benefits		
Age of recipient	**Element taxed**	**Element untaxed**
Age 60 years or more	Non-assessable, non-exempt income (that is, tax-free)	Taxed at marginal rates, with a 10% tax offset
Under preservation age	Taxed at marginal tax rates, with no tax offset. Tax offset of 15% is available if a disability super benefit	Taxed at marginal rates, with no tax offset

All amounts above may also be subject to the Medicare Levy.

Important information regarding SMSF legacy pensions treated as Capped Defined Benefit Income Streams (CDBIS):

Certain legacy pensions such as Market Linked Pensions and Defined Benefit Pensions that are treated as capped defined benefit income streams are subject to additional tax after the first $118,750 of pension paid to the Fund Member. The level of tax will depend upon whether the amount includes an Element taxed or Element untaxed.

Item 4 – Minimum Pension percentages

Age of Pension Member	Percentage factor
Under 65	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 94	11%
Aged 95 or older	14%

The 50% temporary minimum pension reduction ceased from 1 July 2023. It previously applied to the 2019-20 to 2022-23 financial years inclusive.

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