

A silhouette of a wind farm with several wind turbines against a blue, cloudy sky.

# Technical update

## Superannuation

### Pension drawdown relief for self-funded retirees

*BDO Kendalls is a leading provider of superannuation solutions. We know each of our clients is Distinctively different - their need for innovative solutions drives our approach.*

Under the current superannuation rules it is a requirement that at least the minimum income stream payments are made from a superannuation account-based pension before 30 June each year. Minimum payments are determined by the self-funded retiree's age and the value of the account balance as at 1 July of the preceding year. The minimum annual payment rule is designed so that self-funded retirees draw on their superannuation benefits over the course their retirement.

The Minister for Superannuation, The Hon Nick Sherry, recently announced that temporary relief would be granted to self-funded retirees to address their concerns of having to meet the minimum draw down amount in 2008-09 and the reality of having to sell investments and realise losses in the current depressed market.

Minister Sherry announced, "In response to these legitimate concerns, the Government will suspend the minimum drawdown requirement for account-based pensions for the second half of 2008-09." and "This will occur through a 50 per cent reduction in the minimum payment amount for 2008-09", as illustrated in the following table.

Age at 1 July	Standard minimum withdrawal	Revised 2008/09 minimum withdrawal
55-64	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95+	14%	7%

Accordingly, self-funded retirees will only have to draw 50% of their minimum payment before 30 June 2009, those who have already taken half of the current minimum payment for 2008-09 will not be required to make another draw down until the end of the 2009-10 financial year.

*Please Note: The temporary relief measures do not apply to life time and life expectancy complying pensions.*

## Example 1

John, aged 64, has an account based pension with a balance of \$800,000 as at 1 July 2008. The minimum pension required to be paid to John for the 2008-09 financial year is \$32,000, which is 4% of his account balance.

Under the revised minimum for 2008-09 financial year, John now only has to drawdown 2% of his account balance, or \$16,000. As John has already received \$10,000, he only needs to draw down a further \$6,000 to meet the revised minimum.

## Example 2

Susan, aged 75, commenced her account based pension on 1 July 2008 with \$1,200,000, which meant her minimum pension for 2008-09 financial year would be \$72,000, which is 6% of the account balance.

Susan currently requires \$60,000 to meet her living and lifestyle needs. As a result of the Government announcement, Susan's revised minimum pension is reduced to 3% of her account balance which is \$36,000.

Therefore, Susan can draw down \$60,000 for the year and meet the new minimum requirements announced by the Government.

*If you would like to know more about how BDO Kendalls can provide a clear direction for your superannuation planning please phone us on the numbers below or visit our website.*

### **Marc Bowyer, Director**

Tel: 02 9286 5730

marc.bowyer@bdo.com.au

### **John Gavljak, Director**

Tel: 02 9286 5530

john.gavljak@bdo.com.au

## More information

Phone 1300 138 991 or visit [www.bdo.com.au](http://www.bdo.com.au)

**Adelaide, Brisbane, Cairns, Canberra\*, Darwin, Hobart, Melbourne, Perth, Sydney\***

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