

Pension caps, rates and thresholds for super income streams

This factsheet provides you with information on pension related caps, rates and thresholds for the 2023/2024 financial year.

Withdrawing and using your super

You can withdraw your super:

- When you turn 65 (even if you have not retired),
- When you reach preservation age and retire, or
- Under the transition to retirement rules, while continuing to work.

Your preservation age is not the same as your pension age. Your preservation age is the age at which you can access your super if you are retired (or have started a retirement income stream).

From 1 July 2024 your preservation age is 60. Historically your preservation age ranged from 55 to 60, depending on your date of birth. Refer to the Services Australia website for age pension eligibility requirements.

Super withdrawal options

You can receive your superannuation as a super income stream, super lump sum or a combination of both. Check with your fund to find out what options are available to you.

The super withdrawal option that you choose may affect the amount of tax you pay and the amount of money you have for your retirement.

Income streams

You receive a super income stream as a series of regular payments from your super fund (paid at least annually).

The payments must be made over an identifiable period of time and meet minimum annual payments for super income streams. Super income streams are a popular investment choice for retirees as they help with management of income and spending. Super income streams can be account-based, or non-account-based super income streams, and can also be called pensions or annuities.

A super income stream will stop when there is no money left in the super account, a minimum annual payment is not made, the super income stream is commuted (converted into a super lump sum), or when you, the member dies, unless you have a dependent beneficiary who is automatically entitled to receive the income stream.

Minimum annual payments for super income streams

If you invest in a retirement fund, and establish an account-based pension, or transition to retirement pension, you are subject to rules that determine the minimum and maximum amounts to be paid to you in a financial year. There is no maximum amount for an account-based pension, however account holders in accumulation phase transition to retirement (TTR) pensions, are subject to a maximum drawdown limit of 10 percent of their account balance).

The minimum annual pension payment is a percentage of your Account balance determined according to your age as at 1 July in each year.

Age at 1 July ¹	Minimum drawdown rates
Under 65	4%
65 - 74	5%
75 - 79	6%
80 - 84	7%
85 - 89	9%
90 - 94	11%
95 and above	14%

What income stream options are available?

You can choose the amount, month, and frequency of your pension payments, and you are able to amend your payment amount at any time as long as you receive the minimum income per year.

Refer to ato.gov.au for further information on income stream payment options.

Notes:

¹ Your age is determined at either: 1 July in the financial year in which the minimum payment is made; or the commencement day of the pension, if that is the year in which it commenced.

Minimum payment - pension commenced prior to 1 June

Pro-rata minimum or chosen payment percent x account balance by number of days in financial year that includes and follows the pension commencement day.

Pension payment - pension commenced from 1 June to 30 June

No minimum pension required.

Pension minimum payment when pension is commuted in income year

Treated as a partial pension commutation if remaining account balance is sufficient to meet annual minimum payment, or commutation is a result of death, family law split, or exercise of right under financial product cooling-off period.

TTR Pension moves to retirement phase with removal of maximum drawdown limit of 10 percent:

When the member attains age 65 or notifies the trustee they have met a condition of release for permanent retirement, permanent incapacity or terminal medical condition, or upon the death of a member where the TTR pension is paid to a reversionary beneficiary.

Pension commencement and payments

Minimum payment - pension commenced prior to 1 June

Pro-rata minimum or chosen payment percent x account balance by number of days in financial year that includes and follows the pension commencement day.

Pension payment - pension commenced from 1 June to 30 June

No minimum pension required.

Pension minimum payment when pension is commuted in income year

Treated as a partial pension commutation if remaining account balance is sufficient to meet annual minimum payment, or commutation is a result of death, family law split, or exercise of right under financial product cooling-off period.

TTR Pension moves to retirement phase with removal of maximum drawdown limit of 10 percent:

When the member attains age 65 or notifies trustee they have met a condition of release for permanent retirement, permanent incapacity or terminal medical condition, or upon the death of a member where the TTR pension is paid to a reversionary beneficiary.

Transfer balance cap

Tax payable when you start a pension plan

There is generally no tax payable when you commence an account-based income stream. However, if the taxable component of the amount rolled in to your super account has an untaxed element (such as Government unfunded retirement schemes), the concessional contributions tax of 15 percent is charged on entry to the fund up to the maximum available. If the untaxed element exceeds \$1.780 million, amounts above the untaxed plan cap will be taxed at your top marginal rate.

General transfer balance cap

Since 1 July 2017, there has been a cap on the total amount of superannuation that can be transferred to retirement phase (e.g. an account-based pension). For the 2024/2025 financial year, the general transfer balance cap is \$1.9 million (lifetime limit indexed annually with CPI and rounded down to the nearest \$100,000)¹.

If your personal transfer balance cap is not fully utilised, the amount of the unused cap (based on the highest transfer balance account value) is indexed proportionally in line with increases to the general transfer balance cap².

An individual will have a transfer balance account if they receive a retirement phase pension. A transfer balance account can be credited (increased) or debited (decreased) with transactions including:

- credit - existing retirement phase pensions held or commence from 1 July 2017, excess transfer balance earnings.
- debit - full or partial commutation, personal injury contributions, loss arising from fraud or dishonesty, payment in compliance with bankruptcy notice, payment split under family law.

Treatment of transfer balance cap excess

- if the transfer balance account exceeds the personal transfer balance cap, the excess amount plus earnings must be moved back to accumulation or withdrawn as a lump sum.
- since 2018/2019, earnings are taxed at 15% for first breaches and 30% for second and subsequent breaches.
- excess transfer balance tax is levied on the individual, not the super fund.

Child death benefit pensions and the transfer balance cap

- A modified transfer balance cap applies for a child receiving a death benefit pension. The amount of the modified transfer balance cap is the sum of the cap increments the child receives for each death benefit pension.
- The child's transfer balance account will cease when their death benefit pensions are fully commuted (generally age 25, unless they have a qualifying disability plan).
- Tax on income streams
- Regardless of your age, the tax-free component of income stream payments is tax free.
- The below table presents the tax rate payable on the taxable component of income stream payments.

Notes

¹The transfer balance cap increased from \$1.7 million to \$1.9 million on 1 July 2023.

²The personal transfer balance cap is initially equal to the general transfer balance cap for the financial year that you start to have a transfer balance account. However, the personal transfer balance cap can diverge from the general transfer balance cap over time.

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

Age	Income component and Maximum Rate of Tax (excluding Medicare levy)
60 and over	Taxable component, taxed element - all payments are tax-free. Taxable Component, Untaxed Element - taxed at marginal rates, with a 10% tax offset
Under preservation age	Taxable component, taxed element - taxed at personal marginal rates with no tax offset. (15% tax offset is available if receiving disability super benefit). Taxable Component, Untaxed Element - taxed at marginal rates, with no tax offset

Tax on lump sum payments

Regardless of your age, the 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	Income component and Maximum Rate of Tax (excluding Medicare levy)
60 and over	Taxable component, taxed element - all payments are tax-free. Taxable Component, Untaxed Element - 15% up to the untaxed plan cap amount, and 45% above the untaxed plan cap amount
Under preservation age	Taxable component, taxed element - 20% plus applicable levies Taxable Component, Untaxed Element - 30% up to untaxed plan cap amount, and 45% above untaxed plan cap amount

A lump sum benefit paid from both taxed and untaxed superannuation elements to an individual because of a terminal medical condition (refer to conditions of release) is non-assessable non-exempt income, regardless of age, and payments are tax-free.

Further information on the taxation of income stream and lump sum payments including untaxed elements can be obtained directly from the Australian Taxation Office website at ato.gov.au.

Tax on reversionary pensions

At the time of death:

Deceased was 60 years old or older and Reversionary is age 60 years or older

Type of super	Effective tax rate (including Medicare levy)
Tax free component and or Taxable component	No tax assessable

Deceased was under age 60 and Reversionary is under age 60.

Type of super	Effective tax rate (including Medicare levy)
Taxed component – taxed element	Marginal tax rate less 15% tax offset

Further information about tax on reversionary pensions can be found on the ato.gov.au website.

Social security

You may be eligible for Service Australia (Centrelink) benefits subject to meeting certain requirements (e.g. income and assets test). Your pension plan account balance and income stream is assessable under Centrelink's income and asset test. On 1 July 2021, Age Pension age increased to 66 years and 6 months for people born from 1 July 1955 to 31 December 1956, inclusive. The Age Pension qualifying age is 67 years for those born after 31 December 1965.

Age Pension

As at 20 September 2024, the full or maximum (normal) rate of pension that can be received if you are eligible for an Age Pension is:

Status (including pension and energy supplement)	Maximum pension amount
Single	\$1,144.40 p.f.
Couple living together (combined)	\$1,725.20 p.f.
Couple living apart due to ill health (combined)	\$2,288.80 p.f.

Assets test

As at 5 July 2024, pensions reduce when your assets amount to more than the amounts as follows:

If you're	Homeowner	Non-homeowner
Single	\$314,000	\$566,000
A couple combined, including separated due to illness and 1 partner eligible	\$470,000	\$722,000

Pension reduces by \$78 p.a. (for singles) and \$39 p.a. (for couples per \$1,000 of assets over full pension thresholds).

Part pensions

As at 5 July 2024, part pensions cancel when your assets amount to more than the amounts below. Your limits may be higher if you get Rent Assistance with your pension.

Assets Test

If you're	Homeowner	Non-homeowner
Single	\$686,250	\$938,250
Couple combined, including 1 partner eligible	\$1,031,000	\$1,283,000
Couple, separated due to illness, combined	\$1,214,500	\$1,466,500

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 2024 are outlined below.

If you're	Thresholds	Deeming rate percent
Single	Under \$62,600	0.25%
	Over \$62,600	2.25%
A couple (and one person receives a pension)	Under \$103,800	0.25%
	Over \$103,800	2.25%
A couple (neither person receives a pension)	Under \$51,900	0.25%
	Over \$51,900	2.25%

Where can I get more information?

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 <https://www.servicesaustralia.gov.au/individuals/services/centrelink/age-pension> for details on benefits applicable to you and at <https://www.ato.gov.au/Super/>. This factsheet provides a summary of important superannuation, pension taxation and age-pension information. Further information can be found in the Additional Information Guide of the fund at onesuper.com or at the above websites. This information is subject to change as a result of amended or new legislation at the commencement of each financial year.

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Pension standard incomes test (Applicable for Age Pension, Disability Support Pension, and Carer Payment)

As at 9 July 2024, deemed income reduces the Age Pension by 50 cents per dollar earned from when income earnings are \$212 p.f. for a single, and \$372 p.f. for a couple, with Age Pension cut off amounts as follows:

When deemed income for	Income cut off limit
Single	\$2,500.80
Couple living together (combined)	\$3,822.40
Couple living apart due to ill health (combined)	\$4,949.60

Note: Your Age Pension cut-off point may be higher if you receive rent assistance of the work bonus. Your cut off point may be lower if you don't live in Australia.

Work bonus

The Work Bonus reduces the amount of your eligible income included in the income test.

If you have	2024/2025
Employment/self-employment - income exempt from income test	\$300 p.f.

Unused amounts for people in work and out of work will be accumulated as a work bonus balance up to the maximum amount below.

Maximum accrued unused work bonus	\$11,800 p.a.
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