Pension payments

Access to benefits

To access pension benefits before age 65, the member needs to satisfy one of the following conditions of release:

- Temporary or permanent incapacity.[1]
- Terminal medical condition.[2]
- Severe financial hardship.[3]
- Retirement, after attaining preservation age (table below).

Transition to retirement is a special condition whereby members can access up to 10% of their account balance if they have attained preservation age but are still working.

Date of birth	Preservation age
Prior to 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1962 to 30 June 1964	59
After 30 June 1964	60

Once the member turns 65 they can access all their benefits.

Adding to existing pension balance

Once a pension has commenced no additional contributions can be made to the existing pension from contributions or rollovers.[4] These must be credited to a separate accumulation account.

To combine pension amounts any existing pension can be rolled back to accumulation and recommenced with the higher balances. Alternatively, the member can commence a new pension with accumulation funds. Members are entitled to multiple pension accounts, but can only have one accumulation account.

Pension requirements for Account Based pensions

A member's pension account is required to pay out a pension income stream which is between prescribed minimum and maximum pension thresholds.

There is no maximum pension for members who are over aged 65, or are over preservation age and have satisfied a condition of release. Members in transition to retirement can withdraw a maximum pension of 10%.

The minimum pension for an account based pension is calculated using the percentage in the table below and the opening balance (at commutation or 1 July) of the pension.[5]

Age	Minimum
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%

The 'cashing rule'

All pension payments must be cashed promptly. The benefit is considered 'cashed' when the member banks a cheque which is subsequently honoured, or receives a credit from the SMSF by way of electronic transfer. Such cashing is deemed 'prompt' if the member has taken all reasonable steps in paying the pension when required.[6]

Market value of assets

It is important for an SMSF to value assets at market value, specifically when commencing a pension, to avoid breaching pension minimum and maximum requirements. Valuing assets at market value is also important for in-specie transfers and in house asset rules. For more information see our fact sheet titled '**Market valuation of assets**'.

Further information

For further information please visit **www.cumsar.com.au** or contact Corey Plover on (03) 9642 2242.

[1,2] *Superannuation Industry (Supervision) Regulations 1994*, Reg 6.01 & Reg 6.01A respectively
[3] *Superannuation Industry (Supervision) Regulations,1994*, Reg 6.01(5)
[4] *Superannuation Industry (Supervision) Regulations 1994*, Reg 1.06(1)(a)(ii)
[5] *Superannuation Industry (Supervision) Regulations 1994*, Schedule 7
[6] *Superannuation Industry (Supervision) Regulations 1994*, Reg1.06(9A) & *Self Managed Superannuation Funds Determination 2011/1*