

**PRODUCT DISCLOSURE STATEMENT  
ISSUE OF AN ACCOUNT BASED PENSION**

**B.M. BEVAN & R.J. WHITESIDE SUPERANNUATION FUND  
(‘the Fund’)**

|                           |  |
|---------------------------|--|
| <b>Trustee</b>            | Bronwyn Margaret Bevan<br>Richard John Whiteside |
| <b>Address of Trustee</b> | 46 Churchill Road<br>Killara NSW 2071            |
| <b>Member Name</b>        | Bronwyn Margaret Bevan                           |
| <b>Member Address</b>     | 46 Churchill Road<br>Killara NSW 2071            |

# PRODUCT DISCLOSURE STATEMENT

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## PRODUCT DISCLOSURE STATEMENT

### 1. OUTLINE OF PDS

- a) The purpose of this product disclosure statement ("PDS") is:
  - i) to provide information to you regarding the terms and conditions of commencing and receiving an Account Based Pension from the Fund; and
  - ii) to provide information to you regarding your interest in the Account Based Pension.
- b) This PDS is not intended to be a comprehensive statement of all legal principles that apply to receiving an Account Based Pension from the Fund, or your entitlement to an Account Based Pension. You should obtain independent legal advice and advice from an appropriately licensed financial advisor before entering into any transaction relating to an Account Based Pension. Penalties apply for breaching the superannuation law.
- c) Both the Trustee and you, as the Member of the Fund, should sign the last page of this PDS to signify that it has been provided to you and that you have accepted it.

### 2. FEATURES OF ACCOUNT BASED PENSIONS

An Account Based Pension is a tax-effective way to arrange a flexible, regular income stream during your retirement.

An Account Based Pension has the following basic features:

- a) You can adjust the income you receive, subject to a minimum amount, to suit your circumstances.
- b) You may use it to top up any Centrelink benefits you may be entitled to receive.
- c) You can make lump sum withdrawals, or even the full amount, at any time.
- d) Over time, your account balance will reduce to zero. The time taken will depend on the level of investment earnings and on how much you withdraw.
- e) Above the minimum limit prescribed by legislation, you may vary the level of pension you receive from year to year.
- f) Account Based Pensions receive taxation concessions, both on investment earnings within the Fund and on regular pension payments (pension payments are tax free from age 60).
- g) Upon your death your pension can continue to be paid to:
  - i) your spouse; or
  - ii) a child of yours who is;
    - under 18; or
    - under 25 and financially dependent on you at the time of your death; or
    - disabled; or
    - a person who is either financially dependent upon you or in an interdependency relationship with you, at the time of your death.

Alternatively, the benefits can be paid as a lump sum to your dependants or your estate.

### 3. CONDITIONS OF ACCOUNT BASED PENSIONS

- a) The Account Based Pension is to be payable for the purposes of being an Account Based Pension as defined by regulation 1.06(9A) of the *Superannuation Industry (Supervision) Regulations 1994 (SIS Regs)*.
- b) The Account Based Pension is governed by the Trust Deed and/or Governing Rules for the Fund (**Deed**) and the provisions of the *Superannuation Industry (Supervision) Act 1993 (SIS Act)* and the SIS Regs.

The provisions of the Fund's trust deed are consistent with regulation 1.06(9A) of the SIS Regs which provides that:

- i) the Account Based Pension is to be paid from your pension account.
  - ii) the Account Based Pension must be paid at least annually to you.
  - iii) the Trustee must provide you with minimum payment figures which apply to the initial year and each subsequent year for the term of the pension. The amount of pension you receive in any financial year (1 July to 30 June) must be at or above the minimum government legislated limit.
- c) You may notify the Trustee in writing, each year, of the amount of your pension that you wish to receive for each relevant financial year (1 July to 30 June), so long as the nominated amount is at least the minimum amount required to be drawn.

The table below shows the minimum percentage that must be withdrawn from your pension each financial year. The minimum payments are as follows:

| Age        | Percentage of account balance payable as minimum pension payment |
|------------|--|
| Under 65   | 4%   |
| 65-74      | 5%   |
| 75-79      | 6%   |
| 80-84      | 7%   |
| 85-89      | 9%   |
| 90-94      | 11%  |
| 95 or more | 14%  |

Note: A temporary reduction of 50% of the minimum pension drawdown applied for the 2008/09, 2009/10 and 2010/2011 financial years and a temporary reduction of 25% of the minimum pension drawdown applied for the 2011/2012 and 2012/2013 financial years.

- d) You may nominate a reversionary beneficiary, who will receive the balance of your pension account on the same conditions as the Account Based Pension was paid to you.
- e) The amount in your pension account cannot be used as security for any borrowing.
- f) The Fund must be a Complying Superannuation Fund.
- g) The Account Based Pension may be commuted but only if:
  - i) this is allowed under the relevant law;
  - ii) the amount of the commutation does not exceed the amount standing to the credit of your pension account; and

- iii) the minimum pension amount, pro-rated to that point in the year, has been paid.

The discretion to commute the pension lies with the Trustee and the Trustee's consideration of the above factors.

- h) The pension may be commuted if the commutation is to meet a surcharge or family law obligation.
- i) Pensions commenced after 1 June in any year need not make any pension instalment payments before 30 June in that year.

#### **4. ADVANTAGES AND DISADVANTAGES OF ACCOUNT BASED PENSIONS**

While a number of retirement income products share the taxation concession provided to Account Based Pensions, Account Based Pensions have the additional advantage of flexibility. You control your own account and it is invested according to the investment option(s) you and/or the Trustee select subject to the restrictions applied under superannuation legislation and the Deed.

Your pension account will be exempt from all income tax and capital gains tax pursuant to the *Income Tax Assessment Act (1997)(Tax Act)*.

The Federal Government sets age based minimum limits on annual pension payments. Above these limits, you can nominate the pension amount you would like to receive each financial year. You can change this amount at any time.

You may also withdraw all or part of your pension account as a lump sum at any time. However, in order to do so, you must have received the pro-rated minimum pension amount in the financial year in which the withdrawal occurs before you can withdraw the lump sum amount.

Upon death, your pension account balance can be paid as a lump sum to either your estate or your dependants, or any combination of them. Alternatively, upon death, the pension can be paid to a reversionary beneficiary if you have specified one, and that person is a dependant and a person eligible to receive death benefits in the form of a pension.

If you are under age 60, a tax offset of 15% will apply to the assessable income of your Account Based Pension. If you are aged 60 or over, your pension payments will be received by you free of tax.

The main disadvantage of an Account Based Pension is uncertainty. Your investment returns are not guaranteed and they depend upon the performance of your chosen investment options. This means that you do not know how long your money will last.

We recommend that you consult a licensed financial planner to assist you in deciding whether an Account Based Pension is suitable for your individual circumstances.

#### **5. RISKS OF AN ACCOUNT BASED PENSION**

As an Account Based Pension is an asset-linked investment, its value may increase or decrease over time. The duration of an Account Based Pension is therefore not guaranteed but depends on the performance of the underlying assets. Depending on the performance of the underlying assets and the rate which you draw income down, it is possible that the assets of an Account

Based Pension will be exhausted during your lifetime. Once your account reduces to a zero balance, your Account Based Pension payments will cease.

There is always a risk that your Fund may become non-complying if it breaches the relevant law and there is also legislative risk. That is there is a risk that legislation may change that will affect the payment of an Account Based Pension.

## 6. COSTS OF AN ACCOUNT BASED PENSION

Pension funds have operating costs, which are effectively passed on to the pension members, and reduce their entitlements within the Fund.

An Account Based Pension has costs which can include:

- a) The valuation of assets in the pension account; and
- b) The preparation of annual financial statements, letters and minutes, calculations and PAYG statements.

There may also be costs associated with particular investments made in respect of the pension account, depending on the investments undertaken, eg. brokerage on listed shares, entry and exit fees in managed funds, and commission due to agents on investment or the realisation of assets.

## 7. ELIGIBILITY FOR AN ACCOUNT BASED PENSION

To start your Account Based Pension you must have access to your superannuation account balance, i.e. you must have satisfied one of the following conditions of release:

- a) have an unrestricted non-preserved benefit component in the Fund; or
- b) have reached preservation age (see table below), ceased employment and don't intend to ever take up employment for more than 10 hours per week; or
- c) have reached age 60 and terminated your most recent employment; or
- d) be age 65 or older; or
- e) be permanently incapacitated, or
- f) have a terminal medical condition.

| <b>Your date of birth</b>            | <b>Your preservation age</b> |
|--------------------------------------|------------------------------|
| Before 1 July 1960                   | 55                           |
| Between 1 July 1960 and 30 June 1961 | 56                           |
| Between 1 July 1961 and 30 June 1962 | 57                           |
| Between 1 July 1962 and 30 June 1963 | 58                           |
| Between 1 July 1963 and 30 June 1964 | 59                           |
| After 30 June 1964                   | 60                           |

## 8. ACCOUNT BASED PENSION PAYMENT OPTIONS

### a) Determining the amount of your pension payment

You are free to select the amount of pension you receive each year, at or above the minimum level prescribed by legislation. There is no maximum that can be paid out of a standard Account Based Pension.

The minimum level depends upon your age and your account balance. This means that the minimum level for you will change in some years. The Trustee will calculate these amounts as at the commencement date of your Account Based Pension, then pro-rata them for the remaining days of the financial year. Your minimum amount will then be recalculated by the Trustee as at 1 July each year.

### b) Changing the amount of your pension payments

You may change the amount of your pension payment at any time, as long as you remain above the minimum limit for the year.

At the end of each financial year, you may provide details of your pension requirements for the following year to the Trustee.

### c) Choosing the timing of your pension payments

You may elect to have your pension paid weekly, monthly, quarterly, six-monthly or annually. The payments must be made at least annually. You may alter the frequency of your payments at any time by advising the Trustee.

### d) Lump sum withdrawals

You can make a partial or full withdrawal of your account balance at any time. Tax may be payable on your lump sum withdrawal. You must take at least the minimum pension payment for the year and, if making a full withdrawal, the minimum pension payment must be pro-rated to the date of the closure of the pension account.

A PAYG payment summary will be provided by the Trustee for inclusion with your tax return if required.

### e) How long will your Account Based Pension last?

Your Account Based Pension may continue to be paid until your account balance is reduced to zero. As your account balance is not guaranteed, it is not possible to predict exactly how long your pension will last. The longevity of your Account Based Pension very much depends on:

- i. the amount you initially invest to commence your Account Based Pension;
- ii. net investment earnings i.e. after fees and taxes;
- iii. the amount of pension you withdraw each year;
- iv. the amount of lump sum withdrawals you make (if any); and
- v. the amount of tax charged on your pension payments and lump sum withdrawals.

**9. TAXATION IMPLICATIONS OF AN ACCOUNT BASED PENSION**

**a) Tax File Numbers**

On commencing the Account Based Pension, the Trustee will request you, if you are under age 60 at the time, to provide your Tax File Number (TFN). Declining to quote your TFN is not an offence. However, if you do not provide it, or do not tell the Trustee that you are exempt from providing it, you may pay a higher rate than necessary on any benefit payments made to you. You may be able to claim back any overpayment when you lodge your annual income tax return.

If you do not have a TFN and require one, please contact the ATO on 13 10 20.

**Tax at a glance**

| Type of payment                      | Age                        | Tax Applied  |
|--------------------------------------|----------------------------|--|
| <b>Pension payments</b>              | Age 60 or over             | Tax free and not assessable  |
|                                      | Preservation age to age 59 | Taxed at your marginal tax rate plus Medicare levy and eligible for a 15% tax offset |
|                                      | Under preservation age     | Taxed at your marginal tax rate plus Medicare levy                                   |
| <b>Lump sum Payments</b>             | Age 60 or over             | Tax free and not assessable  |
|                                      | Preservation age to age 59 | Tax free up to \$185,000* then taxed at 15% plus Medicare levy                       |
|                                      | Under preservation age     | Taxed at 20% plus Medicare levy  |
| <b>Investment returns</b>            | All                        | Tax free while money remains invested  |
| <b>Benefits transferred at death</b> |                            | Tax may be applicable, depending on relationship of nominated recipient(s) to you    |

\* Applicable for the 2014/15 financial year indexed annually in line with movements in Average Weekly Ordinary Times Earnings (AWOTE) in \$5,000 amounts.

**b) What are the tax benefits of an Account Based Pension?**

- i. When you commence an Account Based Pension, you can defer or eliminate paying lump sum tax on your superannuation benefit as you are not receiving your superannuation benefit as a lump sum payment.
- ii. The investment earnings applicable to the assets supporting your pension remain tax free while you continue to receive a pension.
- iii. Between ages 55 to 60, part of your pension payments may be tax free and you may receive a 15% tax offset on the taxable component of your benefit.
- iv. From age 60, your pension payments and any lump sum withdrawals are tax free.

To qualify for the above tax benefits, you must receive at least one pension payment each financial year.

**c) Tax on transfers into your SMSF**

There is no tax if you transfer money from one superannuation fund to another, unless the amount transferred contains an untaxed component (such as a payment from certain superannuation funds for Government employees).

An untaxed component attracts the 15% tax on contributions. A higher rate of tax also applies to transfers over \$1 million from an untaxed scheme.

A payment from an overseas superannuation fund to an Australian fund is treated as a personal, non-concessional contribution. No tax is payable on the contribution but the cap on non-concessional contributions applies. However, a tax liability may apply in regard to investment earnings which accrued in the overseas superannuation fund when the benefit is paid from an overseas fund more than six months after the individual becomes an Australian resident. You should seek professional tax and other advice before making such a transfer, if this applies to you.

**d) Tax on your investment earnings**

Your pension account will be exempt from all income tax and capital gains tax pursuant to the *Income Tax Assessment Act (1997)* (**Tax Act**).

**Tax Exemptions for pension account**

There are two alternative methods that may be used by a Fund to obtain a tax exemption on the income of a pension account:

**i. Segregation**

The particular assets necessary to meet the current pension liabilities can be identified as assets set aside solely for the purpose of meeting pension payments. Those assets are regarded as "segregated current pension assets".

If the Trustee uses this method, the Trustee must separately identify:

- those segregated assets,
- the income derived from those assets, and
- any expenses incurred in respect of those assets in the accounts of the Fund.

Assets must be identified as segregated assets at the commencement of the pension, and the commencement of each year of income.

**ii. Unsegregated Assets**

Alternatively, under the Tax Act, particular assets do not need to be identified as segregated, but an income tax exemption is allowed to the Fund for income derived by the Fund.

This exemption is based on the proportion of the Fund's unsegregated current pension liabilities to the total unsegregated superannuation liabilities of the Fund. In

calculating the relevant proportion, any current pension liabilities covered by segregated assets are excluded.

The Trustee may also segregate assets as relating to superannuation liabilities **other than** current pension liabilities, as certified by an Actuary. The liabilities covered by those assets are excluded from the total superannuation liabilities of the Fund in calculating the relevant proportion. Once the proportion has been determined, the same proportion of the Fund's normal assessable income is exempt.

It should be noted that expenses and deductions relating to the administration and management of the Fund must generally be apportioned between any exempt income and any assessable income of the Fund.

**e) Tax on benefits paid**

You may have to pay tax when you draw money from the Fund. The amount paid will depend on your own circumstances, including your age, how long you have been in a superannuation fund and how your super benefit is paid.

- i. You pay no tax on benefits received if you are aged 60 and above.
- ii. If you are receiving an income stream and are under age 60 but have reached preservation age, the part of your benefit received which comprises the tax free component of your benefit will not be subject to tax. The part of your benefit received which comprises the taxable component of your benefit will be taxed at your marginal tax rates plus the Medicare levy, less a 15% offset.
- iii. If you are receiving an income stream and are under age 60 and have not reached preservation age, the part of your benefit received which comprises the tax free component of your benefit will not be subject to tax. The part of your benefit received which comprises the taxable component of your benefit will be taxed at your marginal tax rates plus the Medicare levy.
- iv. If you withdraw your super as a lump sum (if permitted) between your preservation age and age 60, the first \$185,000 (2014-15 figure) of the taxable component of your total benefit will not be subject to tax. Tax of 15% plus the Medicare levy will be payable on the balance.
- v. If you withdraw your super as a lump sum (if permitted) and you are aged under preservation age, you pay 20% plus the Medicare levy on the taxable component of your benefit.
- vi. If your benefit is paid out to you as a foreign national who is leaving Australia permanently, higher tax rates will apply to your benefit. Contact the ATO for details.
- vii. No tax is paid on lump sum death benefits paid to a dependant as defined in the tax legislation. Please note that adult children (18 and over) are not likely to be classified as dependants unless they are financially dependent. The taxable component of a lump sum paid to a non-dependant is taxed at 15% plus the Medicare levy. The taxation of a death benefit paid as a pension depends on the ages of both you, the primary beneficiary and any reversionary beneficiaries.

**f) Taxable and tax free components**

If you are under age 60 and have reached your preservation age, then your pension payments will have two components:

- i. a tax free component, and
- ii. a taxable component

The tax free component of your Account Based Pension is calculated in percentage terms at the time of commencement of the pension and applied to each payment you receive.

The taxable component of your income stream is the amount of each payment over and above the tax free component of the payment.

All payments will be made pro-rata from these components, will form part of your assessable income for that financial year and will be taxed at your marginal tax rate plus Medicare levy.

The Trustee withholds PAYG amounts from your pension payments.

**g) Pension Offset**

A superannuation pension offset of 15% will apply to the taxable component of pensions paid from the Fund if you are aged 55 to 59 years at the time of payment. The gross payment amount, less the tax free component of the payment, is assessable as normal income and subject to tax at your marginal tax rate plus the Medicare levy. The 15% pension offset is applied against the income tax payable.

If you are currently under age 60, your pension payments will become tax free after you turn 60 years of age.

**10. TAX ON DEATH BENEFITS**

The Will of a Member does not directly deal with their superannuation death benefits.

The person or persons who receive the death benefit will depend upon:

- the terms of the pension started by you, including any automatic pension reversion nominations; and/or
- whether you have left a valid binding death benefit nomination or other binding instrument; or
- who the Trustee determines should receive the benefit (utilising its discretion).

An automatic pension reversion nomination and/or a binding death benefit nomination or other binding instrument made by you (if valid) will require the Trustee to pay the death benefit in the manner dictated. A non-binding death benefit nomination may be taken into account by the Trustee but they are not bound to follow it. You can direct your death benefit to be paid to any one or more of your superannuation dependants and/or your legal personal representative (i.e., executor or administrator) to be dealt with as part of your estate, subject to complying with any restrictions imposed by the SIS Act and/or Tax Act.

**a) Tax on a lump sum death benefit**

A lump sum death benefit payment will be tax free if paid to a person who is a dependant. A dependant for these purposes is a spouse or former spouse, a child less than 18 years of age, a person with whom you had an interdependency relationship just before you died, or any other person who was financially dependent on you just before you died. If the

lump sum death benefit is paid to a non-dependant, the taxable component will be taxed at 15% plus the Medicare levy.

**b) Tax on a death benefit paid as a reversionary pension**

The taxation of a death benefit paid as a reversionary pension will depend on the age of both you, the primary beneficiary and the reversionary beneficiary.

Death benefits will be able to be paid as a pension to a dependant child, although when the child turns 25 the balance of the pension account will have to be paid as a lump sum (tax free) unless the child is permanently disabled, in which case it can continue to be paid as a pension. For non-dependants over age 25 your death benefit will be paid as a lump sum as it is not able to be paid as a pension to a non-dependant.

**Tax on a death benefit paid to a dependant**

| Age of deceased   | Death benefit | Age of recipient | Taxation  |
|-------------------|---------------|------------------|---|
| Any age           | Lump Sum      | Any age          | Tax free  |
| Aged 60 and above | Pension       | Any age          | Tax free  |
| Below age 60      | Pension       | Above age 60     | Tax free  |
|                   |               | Below age 60     | Tax free component is tax free<br>Taxable component is subject to marginal tax rates and the recipient is entitled to a 15% tax offset on this amount |

**Tax on a death benefit paid to a non-dependant**

| Age of deceased | Death benefit           | Age of recipient | Taxation   |
|-----------------|-------------------------|------------------|--|
| Any age         | Lump Sum                | Any age          | Tax free component is tax free<br>Taxable component is subject to 15% tax plus Medicare levy |
| Any age         | Pension - not permitted | Not applicable   | Not applicable   |

## 11. NOMINATING A BENEFICIARY

### a) Automatic pension reversion nomination

A valid automatic pension reversion nomination means that you choose who will receive your pension benefit (provided that person fits the definition of those entitled to receive an income stream) in the event of your death.

### b) Binding death benefit nomination

A valid binding death benefit nomination means that you choose who will receive your superannuation benefit in the event of your death. That could include ongoing payment of your pension or commencement of a new pension (provided that person fits the definition of those entitled to receive a pension) or as a lump sum payment (provided that person fits the definition of 'dependant') in the event of your death. You need to ensure that any binding death benefit nomination does not conflict with an automatic pension reversion nomination. The Deed may contain details of which nomination takes precedence in the event of multiple valid nominations existing at the time of your death.

The Trustee must pay your benefit according to your nomination, provided that the following requirements set out in the superannuation laws are complied with:

- i. the nominated recipient(s) fit the description of 'dependant' or is your legal personal representative(s) at the time of your death;
- ii. the nomination is current, i.e. the form containing the nomination:
  - has been confirmed or amended within 3 years after the day it was first signed or last confirmed or amended by you; or
  - will continue indefinitely (if permitted under the terms of the Deed);**[NB: You may revoke, amend or confirm your nomination at any time].**
- iii. the nomination is in writing and is signed and dated by you in the presence of two witnesses age 18 years or over, neither of whom is a nominated beneficiary or your legal personal representative;
- iv. the nomination contains a declaration signed and dated by the witnesses stating that they were present when you signed the form;
- v. the allocation of the death benefit among the nominees is clear;
- vi. you have read the PDS to enable you to make an informed decision in making the binding death benefit nomination;
- vii. the nomination is permitted by, and meets the requirements of, the trust deed for the Fund.

It is important to note that if there is any item of information which is not clear on your nomination or written notice of revocation of a previous nomination, then your benefits may not be paid in accordance with your wishes.

### c) Nominating your estate

If you nominate your legal personal representative(s) then your superannuation death benefits will be paid to your executor if you have a Will or an administrator if you do not have a Will. It is important to note that there may be different taxation consequences if there is a

payment to the estate or to an administrator compared to payments to dependants. This will depend on the circumstances of the estate and your dependants.

**d) Making a new binding death benefit nomination**

If you are relying on a binding death benefit nomination to direct your benefits after your death, your benefits will be subject to the discretion of the Trustee and may be paid to your dependants, or to your legal personal representative(s), or to a combination of both if:

- i. you revoke a binding death benefit nomination and do not make a fresh nomination.
- ii. you do not update your binding death benefit nomination after the 3 year period (if required under the Deed).
- iii. your nomination is no longer valid.

If you wish to amend or revoke your nomination, either a replacement nomination or a written instruction to the Trustee revoking a previous nomination must be provided to the Trustee.

**e) Non-binding death benefit nomination**

This means that while you may nominate a dependant, a legal personal representative(s), or a combination of both, the Trustee may consider your nomination but is not bound to follow it when making the decision to pay the benefit. The Trustee has the discretion to pay any of your dependants or your legal personal representative(s) or a combination of both. In doing so, the Trustee will look at the whole of the circumstances in making its decision. It is important to note the following:

- i. a non-binding death benefit nomination will not override a previous valid binding death benefit nomination.
- ii. if you have already made a binding death benefit nomination you must revoke it first and then make a non-binding death benefit nomination.
- iii. a non-binding death benefit nomination is overridden to the extent it conflicts with any valid automatic pension reversion nomination.

**f) Nomination of reversionary beneficiary**

You may only nominate a reversionary beneficiary who is your spouse or another dependant who is your child, a person who is financially dependent on you or a person who has an interdependency relationship with you, to receive your pension following your death.

In the case of a dependant who is your child, a reversionary pension may only be payable in limited cases and for limited periods, as follows:

- i. the child is less than 18 years of age; or
- ii. the child is 18 years of age but less than 25 years old and is financially dependent on you at the time of your death; or
- iii. the child has a disability that meets the definition in the *Disability Services Act 1986*.

Unless the child is disabled, the pension being paid will terminate upon the child reaching 25 years of age and the remaining balance will be paid out to the child as a lump sum benefit.

Confirmation as to whether a valid automatic pension reversion nomination will override any binding or non-binding nomination can be obtained from the Trustee.

**g) Keeping your nomination up-to-date**

Please note that you should update your nomination of beneficiary(ies) as your personal circumstances change (e.g. you marry, divorce, have a child/children or if your children pass the relevant ages listed above).

**12. ACCOUNT BASED PENSIONS AND CENTRELINK**

Account Based Pensions count towards both the assets test and income test for social security purposes. This means that your Account Based Pension may affect your social security entitlements. This information should only be taken as a guide:

**Assets Test**

The Account Based Pension account balance is included as an asset for the purpose of the assets test. The account balance is revalued every six (6) months.

**Income Test**

Income payments from your Account Based Pension account, less a deductible amount, will be counted as income for the Centrelink and Department of Veterans' Affairs (DVA) Income Tests. That part of each of your payments that is classified as a return of capital is excluded from the Income Test. As a result of legislative change, the amount of pension income to be included in the income test may be determined on a 'deeming' basis.

**As social security laws are complex, you should consult Centrelink or a licensed financial planner before you apply to receive an Account Based Pension.**

**13. ACCOUNT BASED PENSIONS AND FAMILY LAW**

The *Family Law Act 1975* and Family Law Legislation provides for the payment splitting of a superannuation interest.

Under the superannuation splitting laws, superannuation interests are treated as property for the purposes of property settlement on marriage breakdown.

This means that people are able to make an agreement - a formal written agreement - about how, on marriage breakdown, any superannuation interests that either party has are to be split.

A formal superannuation agreement is like a more general financial agreement in which people can agree about how property other than superannuation is to be divided on marriage breakdown. However, because superannuation interests are different to other property, there are special rules about what a superannuation agreement has to say.

Provided that a superannuation agreement complies with the legal requirements detailed in the superannuation splitting laws, the agreement is binding. If a superannuation agreement is binding, then:

- the Trustee of a superannuation fund is required by law to implement it; and

- the Court is not able to make an order about the superannuation interest that is dealt with in the superannuation agreement.

If people are unable to agree, then:

- the Court is able to make an order, as part of a property settlement order, about how any superannuation interests are to be split; and
- the Court order is binding on the Trustee of a superannuation fund, who has to comply with it, provided that the legal requirements have been complied with.

**As the legislation is complex, you should seek legal advice as to the possible consequences of separation and divorce in respect of your superannuation interests.**

#### **14. DISPUTE RESOLUTION**

- a) Any complaint should initially be addressed to the Trustee.
- b) If the complaint remains unresolved, you should seek independent legal advice.
- c) You are not able to take your dispute to the Superannuation Complaints Tribunal, as an SMSF is not subject to the Tribunal's jurisdiction.

#### **15. COOLING OFF PERIOD**

You will have the right to a cooling off period in relation to the Account Based Pension. The cooling off period commences after the 5<sup>th</sup> day following the day on which the Account Based Pension is issued to you and lasts for a period of 14 days.

You will have no right to discontinue the pension if you have already received a pension payment.

#### **16. FINANCIAL INFORMATION**

The balance of your benefit in the Fund to be provided for your Account Based Pension as of the date of this Product Disclosure Statement is \$959,959.02.

#### **17. AVAILABILITY OF OTHER INFORMATION**

Other information in relation to your Account Based Pension is available upon request. Please contact the representative of the Trustee nominated below.

**18. CONTACT DETAILS**

Enquiries regarding your benefit entitlements in the Fund should be directed to the Trustee:

|                         |  |
|-------------------------|--|
| <b>Trustee Name (s)</b> | Bronwyn Margaret Bevan<br>Richard John Whiteside |
| <b>Trustee Address</b>  | 46 Churchill Road<br>Killara NSW 2071            |
| <b>Contact Person</b>   |  |
| <b>Telephone</b>        |  |
| <b>Facsimile</b>        |  |

## 19. SUPERANNUATION TERMS EXPLAINED

In this section we explain their meaning to provide you with a better understanding of your super.

**Account Based Pension:** An income stream where a person receives payment regularly that is drawn down from their account, above the Government legislated minimum. The pension will continue to death or the account is exhausted. Upon death, the account balance will be paid to beneficiaries as a lump sum or pension. An advantage of Account Based Pensions is the flexibility to drawdown and access to the capital sum invested.

**AFSL:** Australian Financial Services Licence.

**Assets Test:** The sliding-scale means test applied to the assets of a person to determine his/her eligibility for social security or Department of Veterans Affairs benefits.

**Australian Prudential Regulation Authority (APRA):** Commonwealth agency responsible for the prudential regulation of banks, life insurance companies and superannuation funds.

**Australian Securities and Investment Commission (ASIC):** Government body which is responsible for consumer protection in financial products covering superannuation, life insurance and general insurance.

**ATO:** Australian Taxation Office.

**AWOTE:** Average Weekly Ordinary Time Earnings is a measure of wage or salary levels of employees in Australia as measured by the Australian Bureau of Statistics and published monthly.

**Beneficiary:** A person entitled to receive a member's superannuation entitlements in the event of the death of the member.

**Capital Gains Tax (CGT) exempt component:** The component of an eligible termination payment that is exempt from the tax on capital gains made on the sale of a small business where proceeds are used for retirement.

**Commutation:** The process of converting a pension or annuity into a lump sum.

**Complying fund:** A resident regulated superannuation fund which complies with the Superannuation Industry (Supervision) Act (SIS) and its Regulations. A fund must be complying to receive favourable tax treatment.

**Consumer Price Index (CPI) :** a measure of inflation that compares the cost of living over time.

**Deductible amount:** is calculated to include undeducted contributions, invalidity, CGT exempt, concessional and pre- July 1983 components.

**Dependant:** A spouse, child, person financially dependent on a Fund Member or a person with whom the Member had an interdependency relationship at the time of their death.

**Eligible Termination Payment (ETP):** Includes certain payments made in consequence of termination of employment. ETPs may receive favourable tax treatment.

**Ex-gratia payment:** Payments which are not legally required. If they are made on termination of employment, they may qualify as ETPs.

**FBT:** Fringe Benefit Tax.

**Governing Rules:** Together with the Trust Deed of the Fund, is a document that sets out the rules for the establishment and operation of a superannuation fund

**Interdependency relationship:** Two people have an "interdependency relationship" if all of the following apply:

- they have a close personal relationship;
- they live together;
- one or each of them provides the other with financial support; and
- one or each of them provides the other with domestic support and personal care.

Notwithstanding the above requirements, two persons who have a close personal relationship but fail one of the other requirements because one or both of them suffer from a physical, intellectual or psychiatric disability will still be classed as having an interdependency relationship.

**Investment strategy:** This is the way assets in the various options are invested to achieve the investment objectives.

**Legal personal representative:** During life time, person(s) appointed under an Enduring Power of Attorney and, following death, the Executor of a deceased estate.

**Life expectancy factor:** Determined from the Australian Life Tables using the person's age at the time the pension commences payment. This is used by a provider of a pension/annuity to calculate the deductible amount of a pension and to calculate the pension amount for a Term Account Based Pension.

**Lump sum:** A superannuation benefit paid as cash, rather than as a pension or annuity.

**Medicare levy:** is the percentage (1.5% for 2013/14) of taxable income paid by most Australian individuals, on top of the normal income tax, to help pay for the public health system.

**Nominated beneficiary:** A person to whom you request either a lump sum or a pension be paid in the event of your death.

**Preservation:** Preserved benefits must be retained in a superannuation fund until retirement on or after the preservation age. Unpreserved benefits may be taken in cash once a condition of release (e.g. retirement) has occurred.

**Preservation age:** Means the age at which you can access your superannuation benefits.

**Preserved benefit:** Preserved benefit is that portion of a superannuation benefit that Government legislation requires to be maintained in a super fund until certain conditions enabling access to the money have been met.

**Regulated fund:** A fund which has made an irrevocable election to be regulated under SIS. The fund must have a corporate trustee or have a sole primary purpose of providing old-age pensions.

**Reversionary pension:** You can choose to have your pension continue to be paid to your spouse when you die. This option is chosen on commencement of the Pension.

**Reversionary beneficiary:** The person to whom the pension will continue to be paid in the event of your death as Primary Pensioner.

**Rollover:** The transfer of money from one superannuation fund to another fund or to a superannuation pension. This will defer the payment of lump-sum tax.

**Salary sacrifice contributions:** Salary sacrifice contributions are where you have agreed to forgo part of your before tax remuneration in return for your employer making superannuation contributions of the same value.

**Tax free component:** tax free amount of each pension payment based on pro rata of:

- tax free component, and
  - taxable component,
- as determined at pension commencement.

**TFN:** Tax File Number.

**Trust Deed:** A Trust Deed is a document that sets out the rules for the establishment and operation of a superannuation fund.

20. SIGNED BY THE TRUSTEE AND MEMBER

| Trustee and Member                    | Signature  | Date |
|---------------------------------------|--|------|
| Signed by or on behalf of the Trustee |  |      |
| Signed by the Member                  |  |      |