

**PRODUCT DISCLOSURE STATEMENT**

**ISSUE OF A TRANSITION TO RETIREMENT INCOME STREAM**

**HOPE SUPERANNUATION FUND**

**(‘the Fund’)**

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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 a Transition to Retirement Income Stream from the Fund; and
  - ii) to provide information to you regarding your interest in the Transition to Retirement Income Stream.
- b) This PDS is not intended to be a comprehensive statement of all legal principles that apply to receiving a Transition to Retirement Income Stream from the Fund, or your entitlement to a Transition to Retirement Income Stream. You should obtain independent legal advice and advice from an appropriately licensed financial advisor before entering into any transaction relating to a Transition to Retirement Income Stream. 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 TRANSITION TO RETIREMENT INCOME STREAMS

A Transition to Retirement Income Stream is a means by which you can arrange a flexible, regular income stream whilst easing into retirement. You can use your super savings to purchase an income stream that will supplement your income from your employment.

A Transition to Retirement Income Stream has the following basic features:

- a) You can commence a Transition to Retirement Income Stream if you have reached Preservation age.
- b) Following the legislative changes effective from 1 July 2017, a Transition to Retirement Income Stream may be in the Accumulation Phase or in the Retirement Phase.
- c) Generally, a Transition to Retirement Income Stream is commenced in the Accumulation Phase by individuals who are under the age of 65 years and have not yet met a condition of release which enables full access to superannuation benefits (known as a 'Nil Cashing Restriction').
- d) You can adjust the income you receive, subject to minimum and any maximum amounts, to suit your circumstances. A Transition to Retirement Income Stream in the Retirement Phase will not have any maximum pension amounts.
- e) You may use it to top up any Centrelink benefits you may be entitled to receive.
- f) It is a Government regulation that you cannot add to a Transition to Retirement Income Stream once it has commenced.
- g) Unless you have met a condition of release with a nil cashing restriction, you cannot make lump sum withdrawals from your Transition to Retirement Income Stream.
- h) Over time, your account balance will reduce to zero. The time taken will depend on the level of investment earnings and on the amount of income you draw.
- i) Above the minimum limit prescribed by legislation, you may vary the level of income stream payments you receive each year, provided the amount is also within any maximum limit which applies.

- j) Transition to Retirement Income Streams in the Retirement Phase receive taxation concessions, both on investment earnings within the Fund and on regular income stream payments (income stream payments are tax free from age 60).
- k) Transition to Retirement Income Streams in the Accumulation Phase do not receive taxation concessions on investment earnings within the Fund. However, taxation concessions do apply on regular income stream payments until age 60, with additional concessions applying to make the payments tax free from age 60.
- l) The Transition to Retirement Income Stream may only be commuted if:
  - i. the benefits could have been commuted (i.e., cashed) prior to the commencement of the income stream or where you have satisfied a condition of release with a nil cashing restriction; and
  - ii. the amount of the commutation does not exceed the amount standing to the credit of your pension account; and
  - iii. the minimum income stream amount, pro-rated to that point in the year, has either been paid or sufficient funds remain in the income stream account to meet the payment.
- m) Upon your death your income stream can be paid to the following Dependants:
  - 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
  - iii. a person who is either financially dependent upon or in an interdependency relationship with you at the time of your death.

If you have nominated, or intend to nominate, one or more Dependants to continue to receive your income stream, it is important to note that changes made from 1 July 2017 may preclude some Dependants from receiving the income stream as a Reversionary Pension, unless they have met a condition of release with a nil cashing restriction.

**As this can be a complex issue, you should seek legal advice as to the process to ensure your death benefits pass in accordance with your requirements.**

Alternatively, the benefits can be paid as a death benefit income stream and/or a lump sum to your Dependants or as a lump sum to your Legal Personal Representative (i.e. your estate).

### 3. CONDITIONS OF TRANSITION TO RETIREMENT INCOME STREAMS

- a) The income stream is to be paid to you in accordance with the conditions for meeting the definition of a *Transition to Retirement Income Stream* as defined in the *Superannuation Industry (Supervision) Regulations 1994 (SIS Regs)*.
- b) There is a limit to the amount which can be applied to either commence a Transition to Retirement Income Stream in the Retirement Phase, or which can be converted from the Accumulation Phase to the Retirement Phase. From 1 July 2017, the amount which superannuation members may hold in tax-free 'Retirement Phase' accounts is limited.

Retirement Phase accounts comprise pensions and annuities, including some Transition to Retirement Income Streams, where the income received on the proportion of assets supporting that or those pension(s) is tax free. The limit is called the Transfer Balance Cap and, for the 2017/18 financial year is \$1,600,000 as an aggregate of all Retirement Phase pensions. This is recorded by the ATO in a member's individual Transfer Balance Account.

- c) There is no limit to the amount which can be applied to commence or maintain a Transition to Retirement Income Stream in the Accumulation Phase. However, when you reach age 65, your Transition to Retirement Income Stream will automatically convert to Retirement Phase, at which time the Transfer Balance Cap will apply and, if you exceed that limit, penalties may be applied. Therefore, before reaching age 65, you should consider your Retirement Phase balances and determine whether any action needs to be taken.
- d) The Transition to Retirement Income Stream 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 Topdocs SMSF Trust Deed, which are consistent with regulation 1.06(9A) of the SIS Regs, provide that the Transition to Retirement Income Stream:

- i. is to be paid from your pension account;
- ii. must be paid at least annually to you;
- iii. may only be commuted for the purposes permitted under the SIS Act and/or the SIS Regs; and
- iv. payments for each financial year (1 July to 30 June) must be at least the minimum Government legislated amount and no more than the maximum limit (if applicable).

If your Fund uses a different trust deed, the provisions may differ so it would be wise to obtain advice as to the effectiveness of the provisions of that trust deed.

- e) You may notify the Trustee in writing, each year, of the amount of your income stream 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 and no more than the maximum amount (if applicable).

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

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

Note: The Age column above relates to the age of the income stream recipient at the later of the most recent 1 July or the date of commencement of the Transition to Retirement Income Stream, and applies to the next 30 June.

The maximum amount that can be withdrawn from a Transition to Retirement Income Stream in the Accumulation Phase is 10% in any given financial year. No maximum amount applies for Transition to Retirement Income Streams in the Retirement Phase.

- f) The ability to nominate a reversionary beneficiary in respect of a Transition to Retirement Income Stream in the Accumulation Phase was removed with legislative changes introduced from 1 July 2017. Subject to the powers contained in the Deed, you may nominate or direct that one or more of a Dependant and your Legal Personal Representative receive the balance of your Transition to Retirement Income Stream following your death.
- g) The amount in the pension account cannot be used as security for any borrowing.
- h) The Fund must be a Complying Superannuation Fund.
- i) The Transition to Retirement Income Stream may only be commuted if:
  - i. the benefits could have been commuted (i.e., cashed) prior to the commencement of the income stream or you have satisfied a condition of release with a nil cashing restriction; and
  - ii. the amount of the commutation does not exceed the amount standing to the credit of your pension account; and
  - iii. the minimum income stream amount, pro-rated to that point in the year, has either been paid or sufficient funds remain in the pension account to meet the payment.
- j) The Transition to Retirement Income Stream may be commuted if the commutation is to meet a surcharge or family law obligation.
- k) Transition to Retirement Income Streams commenced after 1 June in any year need not make any income stream instalment payments before 30 June in that year.

#### **4. ADVANTAGES AND DISADVANTAGES OF TRANSITION TO RETIREMENT INCOME STREAMS**

While a number of retirement income products share the taxation concessions (outlined above) provided to Transition to Retirement Income Streams, Transition to Retirement Income Streams 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.

If your Transition to Retirement Income Stream is in the Retirement Phase, 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, up to a maximum of 10%, unless your Transition to Retirement Income Stream is in the Retirement Phase, in which case the maximum limit is removed. You can change this amount at any time.



Upon death, your pension account balance can be paid as a lump sum to either your Legal Personal Representative or your Dependants, or any combination of them. Alternatively, upon death, the income stream may be paid to a nominated beneficiary if you have specified one, subject to that person having met a condition of release, as outlined above. A separate option, if that person is a Dependant and a person eligible to receive death benefits in the form of a pension, they could receive an Account Based Pension from the death benefits.

If you are under age 60, a tax offset of 15% will apply to the assessable income of your Transition to Retirement Income Stream. If you are aged 60 or over, your payments will be received by you free of tax.

Three main disadvantages of a Transition to Retirement Income Stream are:

- a) 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;
- b) taxation. If your Transition to Retirement Income Stream is in the Accumulation Phase, the income and realised capital gains generated by assets supporting your Transition to Retirement Income Stream will be subject to taxation. Note that this is a change effective from 1 July 2017; and
- c) reversion. If you wish for your Transition to Retirement Income Stream to continue to be paid to a nominated beneficiary, your nomination will be subject to that person having first met a condition of release with a nil cashing restriction.

We recommend that you consult a licensed financial adviser to assist you in deciding whether a Transition to Retirement Income Stream is suitable for your individual circumstances, and related issues.

## **5. RISKS OF A TRANSITION TO RETIREMENT INCOME STREAM**

As a Transition to Retirement Income Stream is an asset-linked investment, its value may increase or decrease over time. The duration of a Transition to Retirement Income Stream 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 a Transition to Retirement Income Stream will be exhausted during your lifetime. Once your account reduces to a zero balance, your Transition to Retirement Income Stream 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 the risk that legislation may change that will affect the payment of a Transition to Retirement Income Stream.

## **6. COSTS OF A TRANSITION TO RETIREMENT INCOME STREAM**

- a) Pension Funds have operating costs, which are effectively passed on to the pension members, and reduce their entitlements within the Fund.
- b) A Transition to Retirement Income Stream has costs which can include:

- i. The valuation of assets in the pension account;
- ii. The preparation of annual financial statements, letters and minutes, calculations and PAYG statements; and
- iii. For a Transition to Retirement Income Stream in the Retirement Phase the cost of obtaining an Actuarial Certificate.

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 A TRANSITION TO RETIREMENT INCOME STREAM**

To start your Transition to Retirement Income Stream you must have reached Preservation age as set out in the following table:

<b>Your date of birth</b>	<b>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

Additionally, the commencement or conversion of your Transition to Retirement Income Stream in or into the Retirement Phase must not cause the total in your Transfer Balance Account to exceed the Transfer Balance Cap.

## **8. TRANSITION TO RETIREMENT INCOME STREAM PAYMENT OPTIONS**

### **a) Determining the amount of your income stream payments**

You are free to select the amount of income stream you receive each year, at or above the minimum level prescribed by legislation. The maximum drawdown you can make from a Transition to Retirement Income Stream, in the Accumulation Phase, is 10% of the account balance. There is no maximum drawdown in the Retirement Phase.

The minimum level is 4% of the account balance. The Trustee will calculate these amounts as at the commencement date of your Transition to Retirement Income Stream, then pro-rata the minimum amount for the remaining days of the financial year. Your minimum and (if applicable) maximum amounts will then be recalculated by the Trustee as at 1 July each year.

### **b) Changing the amount of your income stream payments**

You may change the amount of your income stream payments at any time, as long as you remain within the minimum and (if applicable) maximum limits for the year.

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

**c) Choosing the timing of your income stream payments**

You may elect to have your income stream paid weekly, monthly, quarterly, six-monthly, annually or on an ad-hoc basis. 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**

Generally, you cannot make lump sum withdrawals from your Transition to Retirement Income Stream in the Accumulation Phase. You can make a partial or full withdrawal of your Transition to Retirement Income Stream account balance at any time whilst it is in the Retirement Phase. 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 Transition to Retirement Income Stream last?**

Your Transition to Retirement Income Stream will continue to be paid from the Accumulation Phase until you turn 65 or retire or have met a condition of release with a nil cashing restriction (and have elected to have your Transition to Retirement Income Stream convert to the Retirement Phase). You may also elect at that time to commute your Transition to Retirement Income Stream and commence an Account Based Pension. Your Transition to Retirement Income Stream or Account Based Pension can continue to be paid to you 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 income stream will last. The longevity of your Transition to Retirement Income Stream (or subsequent Account Based Pension) very much depends on:

- i. the amount you initially invest to commence your Transition to Retirement Income Stream;
- ii. net investment earnings i.e. after fees and taxes;
- iii. the amount of income stream payments you withdraw each year;
- iv. the amount of lump sum withdrawals you make (if any - provided you are able to access any lump sum amounts); and
- v. the amount of tax charged on your income stream payments and lump sum withdrawals.

**9. TAXATION IMPLICATIONS OF A TRANSITION TO RETIREMENT INCOME STREAM**

**a) Tax File Numbers**

On commencing the Transition to Retirement Income Stream 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 of tax 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.

**b) Tax at a glance**

Your Transition to Retirement Income Stream balance will comprise either a taxable element or a tax free element, or a combination of both. The relative proportion of taxable and tax free is set at the commencement of the Transition to Retirement Income Stream, and remains constant throughout the course of the income stream.

Income stream payments will reflect the components which make up the Transition to Retirement Income Stream, in the same proportions.

The tax free proportion of each income stream payment will be tax free in the hands of the recipient, whilst the taxable component will be taxed as detailed in the table below:

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 \$200,000* then taxed at 15% plus Medicare levy
	Under Preservation age	Taxed at 20% plus Medicare levy
<b>Investment returns</b>	All	<b>Accumulation Phase</b> Taxed at standard Super Fund rates (i.e. 15% or 10% on some realised capital gains) <b>Retirement Phase</b> Tax free, provided the pension conditions are met
<b>Benefits transferred at death</b>		Tax may be applicable, depending on relationship of nominated recipient(s) to you

\* Applicable for the 2017/18 financial year indexed annually in line with movements in Average Weekly Ordinary Times Earnings (AWOTE) in \$5,000 amounts.

**c) What are the tax benefits of a Transition to Retirement Income Stream?**

- i. When you commence a Transition to Retirement Income Stream, 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 income stream will be subject to superannuation tax rates whilst the Transition to Retirement Income Stream is in the Accumulation Phase, but will be tax free while you continue to receive an income stream in the Retirement Phase.
- iii. Between your Preservation age to under age 60, part of your income stream 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 income stream payments and lump sum withdrawals (if permitted) are tax free.

To qualify for the above tax benefits you must receive at least one income stream payment each financial year and at least two pension payments must be made, either in one year or over two years, to ensure the definition of a pension has been met.

**d) 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.

**e) Tax on your investment earnings**

**Transition to Retirement Income Stream in Accumulation Phase**

Your pension account will be subject to income tax and capital gains tax pursuant to the Tax Act.

**Transition to Retirement Income Stream in Retirement Phase**

Your pension account will be exempt from all income tax and capital gains tax pursuant to the Tax Act, provided the pension conditions are met.

**Tax Exemptions for pension account (Retirement Phase)**

There are two alternative methods that may be used by the Fund to obtain tax exemption on the income of your pension account, provided the pension conditions are met:

**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 income stream 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 income stream, and the commencement of each year of income.

It is important to note that, from 1 July 2017, an SMSF which has a member in receipt of a Retirement Phase pension and a member who has a balance in superannuation in excess of \$1,600,000, is not permitted to segregate its assets from the perspective of the tax exemptions.

**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, and is certified by an Actuary in the form of an Actuarial Certificate. 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 be apportioned between any exempt income and any assessable income of the Fund.

**f) 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 \$200,000 (2017-18 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 Dependents 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.

#### **g) Taxable and tax free components**

If you are under age 60 and have reached your Preservation age, then your income stream payments will have two components:

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

The tax free component of your income stream is calculated in percentage terms at the time of commencement of your income stream 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 and will form part of your assessable income for that financial year and will be taxed at your marginal tax rate plus the Medicare levy. The Trustee withholds PAYG amounts from your income stream payments.

#### **h) Pension Offset**

A superannuation pension offset of 15% will apply to the taxable component of the income stream paid from the Fund if you are over your Preservation age but under 60 years at the time of payment. The gross payment amount, less the tax free component of the income stream, 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 income stream payments will become tax free after you turn 60.

## 10. TAX ON DEATH BENEFITS

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

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

- the terms of the income stream started by you; 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 Reversionary Pension 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. Note that the automatic reversion of a Transition to Retirement Income Stream in the Accumulation Phase may not be possible under the legislation introduced effective 1 July 2017.

### 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 dependent 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 Dependant	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	<p>Tax free component is tax free</p> <p>Taxable component is subject to marginal tax rates and the recipient is entitled to a 15% tax offset on this amount</p>
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**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	<p>Tax free component is tax free</p> <p>Taxable component is subject to 15% tax plus Medicare levy</p>
Any age	Pension - not permitted	Not applicable	Not applicable

**11. NOMINATING A BENEFICIARY**

**a) Automatic Reversionary Pension nomination**

A valid automatic Reversionary Pension 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 an income stream) 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 Reversionary Pension 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 or nominations, provided that the requirements set out in the Trust Deed are complied with, usually:

- i. the nominated recipient(s) fit the description of 'Dependant' or is your Legal Personal Representative(s) at the time of death;
- ii. the nomination is current, i.e. the form containing the nomination has been confirmed or amended within:
  - three (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 aged 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 witness 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; and
- 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 it 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 executor 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 death 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 may be overridden to the extent it conflicts with any valid automatic Reversionary Pension nomination.

**f) Nomination of Reversionary Beneficiary**

Legislation effective from 1 July 2017 does not permit the automatic reversion of a Transition to Retirement Income Stream in the Accumulation Phase. Generally, in the event of a beneficiary nomination, the Trustee will commence an Account Based Pension payable to the nominated person(s).

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.

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 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. From age 18, the child will have the power to call for the termination of the Account Based Pension and payment of the remaining funds in the form of a lump sum.

It is important to note that the asset value of any Account Based Pensions which pass to a reversionary beneficiary, whether automatically or at the discretion of the Trustee, will be included in the beneficiary's Transfer Balance Account and, therefore, subject to the limits applied by the Transfer Balance Cap.

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 children pass the relevant ages listed above).

**12. TRANSITION TO RETIREMENT INCOME STREAMS AND CENTRELINK**

Transition to Retirement Income Streams count towards both the assets test and the income test for social security purposes. This means that your Transition to Retirement Income Stream may affect your social security entitlements. This information should only be taken as a guide.

**a) Assets Test**

The Transition to Retirement Income Stream account balance is included as an asset for the purpose of the assets test. The account balance is revalued every six (6) months.

**b) Income Test**

Income payments from your Transition to Retirement Income Stream account, less any deductible amount available, 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 may be 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 adviser before you apply to receive a Transition to Retirement Income Stream.**

**13. TRANSITION TO RETIREMENT INCOME STREAMS AND FAMILY LAW**

The *Family Law Act 1975* and the SIS Regs provide 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 (to be replaced from 1 July 2018 by the Australian Financial Complaints Authority), 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 Transition to Retirement Income Stream. The cooling off period commences after the 5<sup>th</sup> day following the day on which the Transition to Retirement Income Stream is issued to you and lasts for a period of 14 days.

You will have no right to discontinue the Transition to Retirement Income Stream, under the cooling off provisions, 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 \$1,247,421.77.

**17. AVAILABILITY OF OTHER INFORMATION**

Other information in relation to your Transition to Retirement Income Stream 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>	Kevin James Hope Brian John Hope Ian Robert Hope
<b>Trustee Address</b>	320 Pitt Road Vervale VIC 3814
<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 Account Based Pension will continue to death or until 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.

**Accumulation Phase:** A term introduced from 1 July 2017 which relates to non-pension funds held on behalf of a member, and include some Transition to Retirement Income Streams, such as those Transition to Retirement Income Streams being paid to a member who has either not met a condition of release with a nil cashing restriction or the member, being under age 65, and having met a condition of release with a nil cashing restriction, has not elected to convert the Transition to Retirement Income Stream to the Retirement Phase.

**Actuarial Certificate:** A certificate from an Actuary which stipulates the proportion of income of a superannuation fund which is exempt from income tax, on the basis that a proportion of the fund assets were supporting one or more pensions.

**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 Financial Complaints Authority (AFCA):** Commencing from 1 July 2018, this body will provide retail investors, financial services consumers and small businesses access to a dispute resolution scheme.

**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.

**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.

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

**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 Will or Administrator of a deceased estate.

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

**Medicare levy:** is the percentage (2.5% for 2017/18) 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 member reaches Preservation Age. Benefits become unrestricted non-preserved and 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 superannuation 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 individual trustees and the sole or primary purpose of providing old-age pensions.

**Retirement Phase:** A term introduced from 1 July 2017 which relates to pensions and annuities, including some Transition to Retirement Income Streams, where the income received on the proportion of assets supporting that or those income stream(s) is tax free.

**Reversionary Pension:** You can choose to have your pension continue to be paid to your spouse or certain other Dependents when you die. This option is often chosen on commencement of the Pension but, subject to the powers contained in the Trust Deed, may be withdrawn, amended or replaced during the course of the Pension. **Note:** Restrictions apply to the reversion of a Transition to Retirement Income Stream in the Accumulation Phase in particular, and possibly in the Retirement Phase.

**Reversionary beneficiary:** The person to whom the pension will continue to be paid in the event of the death of a primary pensioner.

**Rollover:** The transfer of money from one superannuation fund to another fund or to a superannuation pension.

**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.

**SIS:** The superannuation legislation, predominantly being the *Superannuation Industry (Supervision) Act 1993 (SIS Act)* and the *Superannuation Industry (Supervision) Regulations 1994 (SIS Regs)*.

**SMSF:** Self Managed Superannuation Fund.

**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.

**Transfer Balance Account:** You commence a transfer balance account on the later of 1 July 2017 and the day you first start to be a Retirement Phase recipient of a superannuation income stream. A transfer balance account enables you to track the amounts you have transferred to the Retirement Phase, so as to determine whether or not you have exceeded your transfer balance cap.



**Transfer Balance Cap:** Applying from 1 July 2017, it is a limit (currently \$1,600,000 for 2017/18) on the total amount of superannuation that can be transferred into the tax-free Retirement Phase accounts (i.e. from which Account Based Pensions, some Transition to Retirement Income Streams and other pensions are paid).

**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**

<b>Trustee and Member</b>	<b>Signature</b>	<b>Date</b>
Signed by or on behalf of the Trustee		
Signed by the Member		