

# Minimum Pension Payments

April 2024

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As part of the government's response to the financial impacts of COVID-19, a temporary reduction to the minimum pension drawdown requirements were implemented. During the previous four financial years, minimum drawdown rates were halved. This is the first financial year since 2018/19 that minimum pension payments return to their normal calculations.

Superannuation pensions can provide a flexible and tax-effective way of receiving regular income. In order to maintain the tax-exempt status of a pension account, the member is required to withdraw a minimum pension amount each financial year (i.e. prior to the end of June).

The withdrawal amount is calculated as a percentage of the pension balance as of the 1st of July each financial year (or for practical purposes the previous balance at 30 June as indicated on the audited member statements). If you utilise an industry or retail super fund, the provider will generally automatically make sure that the minimum requirements are met across the year. The minimum pension drawdown rate increases as you get older (as shown below).

### Minimum Pension Drawdown Rates

The 50% temporary reduction no longer applies and there may be a requirement for additional liquidity. The minimum pension drawdown rates are indicated in the following table. This is based on two factors – age and the member balance at the start of the financial year.

Age at 1 July 2023 (or commencement date) <sup>1</sup>	Minimum Drawdown Rate (% of account balance)
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 or more	14%

<sup>1</sup>Where a pension account commences after 1 July, the minimum payment amount for the first year is calculated proportionately to the number of days remaining in the financial year.

The minimum pension drawdown requirements are applicable to:

- Account based pensions (i.e. the most common type of pension),
- Transition to retirement income streams (i.e. subject to a maximum pension limit of 10%),
- Market linked pensions, and
- Allocated pensions.

Importantly, if a pension is commenced on or after 1 June, you don't need to take the minimum payment for the first financial year.

Individuals that have already met the required minimum for 2023/24 can decide to hold off on drawing any further pension payments for the remainder of the current financial year. This may be applicable to those who do not require further income or those with the ability to access assets external to super (e.g. personal cash savings). Conversely, you can decide to draw amounts larger than the minimum pension payment from an account based pension.

### Concluding Points

Failing to meet the minimum pension requirements can have a substantial impact for Self-Managed Super Funds that are claiming a tax exemption on income from assets that support a pension.

Electing to only withdraw the minimum amount can be a good way to preserve assets within the tax-effective environment of super.

Extra pension payments and lump sum withdrawals can have different impacts to a person's financial situation. Hence, if you have any questions in relation to the above or wish to review payments over the coming weeks, please do not hesitate to contact your adviser.

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