

## Minimum Payment Temporary Relief

### Background

The Federal Government issued a press release on 18 February 2009 announcing its intention to provide relief from the minimum pension payment requirements for 2008/2009.

- The relief would allow the minimum pension payment a client receives in 2008/2009 to be halved, eg if a client's minimum pension amount for 2008/2009 was \$10,000 it will now be \$5,000.
- In the recent budget, these changes were extended to the 2009/2010 financial year.

### What pensions are affected?

The temporary suspension of the minimum payment requirement will apply to:

- Account-based annuities and pensions;
- Allocated annuities and pensions; and
- Marked-linked (term-allocated) annuities and pensions.

It will definitely also apply to Transition to Retirement Pensions.

### What does the recent Government announcement mean?

The announcement means the Government will amend pension law to provide relief from the minimum pension payment requirements for 2008/2009 and 2009/2010. The intention is to halve the minimum pension payment an investor is required to receive from their account.

This means if your clients have already received 50% of their minimum pension requirement, they will be able to cease receiving any further pension payments for the 2008/2009 tax year.

### Why has the Government made this change?

Quoting directly from the press release, "The measure responds to concerns that meeting the minimum draw down amount in 2008-2009 will mean having to sell investments assets and realise losses in a depressed market".

### What are the current and proposed minimum pension requirements?

Age at 1 July	Current percentage factor of 1 July account balance	Proposed change percentage factor
Under 65	4	2
65-74	5	2.5
75-79	6	3
80-84	7	3.5
85-89	9	4.5
90-94	11	5.5
95 or more	14	7

The above proposed percentage factors are our interpretation of the impact of the Government's press release.

#### **I have already drawn the new 50% minimum pension (eg >=2.5% for a 65 year old) – can I cease drawing monies from their pension now?**

Yes.

#### **I would like to amend my pension payment – how do I change it?**

To change your pension payment amount or frequency of payment, please contact our office.

#### **Will you apply the 50% reduction on the minimum pension automatically?**

No. We will not be applying the 50% reduction automatically – you will need to apply for any change.

#### **Can I refund any payments received in excess of the 50% rule?**

No. You are unable to re-contribute monies to a pension account unless you wish to start a new pension.

#### **What if I commence a pension after 1 March 2009 (and they haven't received a payment yet) – am I still required to draw a pension?**

Yes. Based on our interpretation of the Government's press release, you are due to receive at least a pro-rated payment of the 50% of the annual minimum pension.

For example, if you are 65 and required to draw a 5% pension – this is now scheduled to be halved to 2.5%. The draw down will be  $122/365 \times 50\% \times 5\% = 2.033\%$ .

The Government's press releases suggested the suspension for the second half would occur through a 50% reduction of the minimum.

### **How do the new rules affect TAP pension payments?**

The press release issued by the Government suggests that the pension paid by TAPs may also be reduced. However, until the Government releases the regulations, we are unable to provide details about exactly what the new rules are and what they mean for you.

### **Do these new rules affect the maximum amount I can receive on this pre-retirement pension account?**

No. From the press releases issued by the Government, it does not appear this initiative will impact the maximum amount of your pre-retirement pension. However, until the Government releases the regulations, we are unable to provide details about exactly what the new rules are and what they mean for you.