

Introduction

When choosing an investment which will provide a regular income stream it is important to select the one most suitable. There may be other considerations in addition to those comparisons made overleaf and below.

Other Considerations

- Fees and charges vary among products. It should be determined whether the product offers good value.
- Check carefully if there are any penalties or potential capital losses associated with terminating the investment or making withdrawals (commutations).
- If there is the ability to choose the *underlying assets* of the investment make sure all associated risks are considered. All investments have risk.

Taxation

Income payments may be assessable for income tax. A deductible amount, representing the return of capital, may be available and is deducted from the assessable income. For people between ages 55 and 60 years, where superannuation is used to purchase the income stream, the deductible amount is determined by the proportion of the tax exempt component producing the income stream. A *tax offset* of 15% may also be available based on taxable income.

For people aged over 60 years income from a funded superannuation source is exempt from tax.

Government Income Support

The treatment of Income Stream products under the Income and Assets tests is dependent on the characteristics specified in the contract.

All income stream products purchased since 20 September 2007 are fully assessable under the assets test. Certain income streams purchased prior to 20 September 2007 may have concessional treatment for the Centrelink assets test.

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Glossary

Non commutable - Cannot be converted to a lump sum in part or full.

Tax offset (Rebate) - An amount by which tax payable is reduced, but is not refundable if no tax is payable.

Reversionary - Person to whom payments continue in the event of the prior death of the owner of the investment.

Underlying assets - The assets bought with the money to form the investment product e.g the shares in the growth option of an allocated pension.

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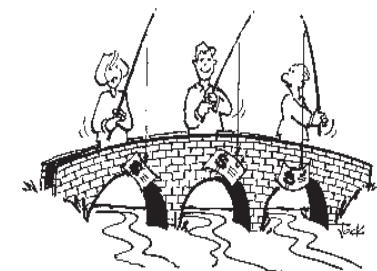
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Retirement Income Stream Products: A Comparison

Account Based (flexible) Income Streams
Defined Benefit Superannuation Pensions
Non Account Based Income Streams



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Comparison of Income Stream Products

The chart below is intended as a guide only and covers the most commonly asked questions. For further information see our leaflets *Account Based Income Streams* and *Immediate Annuities*.

	Account Based Income Streams		Non Account Based Income Streams		
	Allocated Pensions (flexible)	Transition to Retirement Income Streams	Defined Benefit Super Pensions	Lifetime Pensions & Annuities	Life expectancy Pensions & Annuities
How secure is my capital?	Depends on investment options chosen	Depends on investment options chosen	High	High	High
Can I withdraw lump sums at any time?	Yes	No	Depends on fund rules	No	Depends on fund rules
Can I choose the level of income I receive?	Yes - as long as minimum taken	Yes - between prescribed minimum & maximum 10%	No	No	No
Is my income guaranteed?	Only until money in the account runs out	Only until money in the account runs out	Yes By paying institution	Yes By paying institution	Yes By paying institution
Must I use superannuation money?	Yes	Yes	Yes	Can be either super or non-superannuation	Can be either super or non-superannuation
When must payments commence?	By 30 June in financial year of purchase. May be deferred if purchased after 1 June.	By 30 June in financial year of purchase. May be deferred if purchased after 1 June.	Depends on fund rules	By at least first anniversary of purchase	By at least first anniversary of purchase
Can there be tax benefits?	Yes	Yes	Yes	Yes	Yes
Is it subject to Centrelink/Veterans' Affairs assets tests?	Yes	Yes	Depends on fund compliance with exemption characteristics	Yes. If purchased before 20 September 2007. See notes.	Yes. If purchased before 20 September 2007. See notes.
How are death benefits treated?	Can continue to spouse or if to dependant for a limited time, or as a lump sum. Non dependents can only receive as a lump sum.	Can continue to spouse or if to dependant for a limited time, or as a lump sum. Non dependents can only receive as a lump sum.	Portion continues to spouse or if to a dependant for a limited time.	Superannuation money - fund regulations apply. Non-superannuation - income to nominated reversionary. Lumps sum available in guarantee period.	Superannuation money - fund regulations apply. Non-superannuation - income to nominated reversionary or estate. Lumps sum payable.

Notes:

For complying lifetime/life expectancy pension, Market Linked Income Streams (MLIS) or annuities purchased between 20 September 2004 and 20 September 2007 - 50% assets test exemption applies. Complying income streams purchased prior to 20 September 2004 - 100% assets test exemption applies.