

As part of the government's response to COVID-19, legislation was passed to allow a 50% temporary reduction to the minimum pension drawdown requirements. This was designed to assist retirees navigating volatile markets who do not wish to sell their investment assets while the value of those assets is reduced. As we move closer to the end of the 2021/22 financial year, superannuation pension members have the opportunity to assess whether it is appropriate to make use of the relief. We explore some of the considerations below.

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, members are 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).

The table below outlines the current minimum pension requirements under the relief together with the usual rates. Payments are set to revert to normal rates from 1 July 2022.

Age at 1 July 2021 (or commencement) ¹	Minimum during 2021/22 (Reduced %)	Minimum 2022/23 onwards (Usual %)
Under 65	2%	4%
65-74	2.5%	5%
75-79	3%	6%
80-84	3.5%	7%
85-89	4.5%	9%
90-94	5.5%	11%
95 or more	7%	14%

¹Where 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. A minimum annual payment does not need to be made where an account based income stream is commenced between 1 June to 30 June.

The 50% temporary reduction in minimum pension drawdown requirements for 2021/22 is applicable to:

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

One of the main advantages of not being forced to withdraw the normal minimum pension amount is that additional capital can be retained within the tax effective superannuation environment. Individuals that have already met the required minimum for 2021/22 can hold off on drawing any further payments for the remainder of the current financial year. This may be applicable to those who do not require further income or individuals with the ability to access assets external to super (e.g. personal cash savings).

For members that may have already withdrawn over the temporary minimum percentage and decided to return funds into the superannuation system, it is important to note that any further actions are subject to the usually eligibility surrounding contribution rules and contribution caps.

If you have any questions in relation to the above or wish to review your payments over the coming months, please do not hesitate to contact your adviser.



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