LOWE LIPPMANN

LOWE LIPPMANN FINANCIAL SERVICES

ACCOUNT BASED PENSION

An Account Based Pension is purchased with superannuation monies and is designed to provide you with a regular, flexible, tax effective income stream in retirement. Account Based Pension balances increase with positive investment returns and decrease with pension payments, negative investments returns and fees.

Earnings from the underlying portfolio of your Account Based Pension are tax free, making Account Based Pensions a very tax effective retirement structure.

The income received from your Account Based Pension is referred to as a pension payment. The Government has announced a reduction in minimum annual pension payments for the 2009/10 financial year as follows:

Age	Original Percentage of Account Balance	Reduced Drawdown Percentage for 2009/10
55 – 64	**4%**	**3%**
65 – 74	5%	3.75%
75 – 79	6%	4.5%
80 – 84	7%	5.25%
85 – 89	9%	6.75%
90 – 94	11%	8.25%
95+	14%	10.50%

** Minimum pension payments are calculated annually (as at 1 July).*

Account Based Pension payments are tax free for individuals over 60 years of age and do not have to be included in tax returns.

Payments made to individuals less than 60 years of age are taxable but receive tax concessions. The pension drawn, less any tax free amount, is taxed at your marginal tax rate. A 15% tax rebate applies to the difference, which is taxable income. The tax rebate can be used to reduce an income tax liability arising from this pension as well as other income sources.

The benefits of commencing an Account Based Pension are:

- You receive a regular income stream to assist in meeting your retirement income needs.
- If you are over 60 years of age your Account Based Pension payments are tax free.
- You receive tax concessions on your Account Based Pension income via a tax deductible amount and a 15% tax offset. Once you reach 60 years of age your pension payments will be tax free.

- You can choose the frequency of your pension payments (e.g. monthly, quarterly, half yearly or annually) and payments can be credited to your nominated bank account or paid to you by cheque.
- Your Account Based Pension fund pays no tax on income or capital gains generated within the fund.
- Upon rollover of your superannuation benefits to an Account Based Pension, there is generally no lump sum tax payable.
- Your Account Based Pension portfolio will be invested in accordance with your risk profile. This would not be possible through Non-account based retirement income streams such as Annuities.
- You have the option of nominating a reversionary beneficiary (usually a spouse) who will receive the pension in the event of death.

The risks associated with this recommendation are:

- There is no guarantee you will receive income from your Account Based Pension for your lifetime.
- The account balance of your Account Based Pension may reduce to a level which is insufficient to meet your income needs later in life, depending upon the performance of the underlying investments and the level of income and capital you draw over time.