

# UNDERSTANDING THE NGS INCOME ACCOUNT

The time of your life starts here

FACT SHEET 9

5 OCTOBER 2021

Are you nearing retirement and looking to start a regular income stream from your retirement savings? We offer an Income account and a Transition to retirement account.

This fact sheet explains the *NGS Income account*. You can read about the *NGS Transition to retirement (TTR) account* in the [Transition to retirement guide](#) and [fact sheet](#) available at [ngssuper.com.au/PDS](https://ngssuper.com.au/PDS)

If you are thinking about starting an *NGS Income account*, consider getting professional advice to understand how it could work for your personal situation.

We offer low-cost tailored advice through NGS Financial Planning. To make an appointment, phone us on **1300 133 177** or complete the [Financial planning enquiry form](#) at [ngssuper.com.au/advice](https://ngssuper.com.au/advice)

## Advantages of the NGS Income account

The *NGS Income account* is a flexible and tax-effective means of converting your retirement savings into a regular income stream and has these advantages:

- you can **nominate the regular income payment** you'd like to receive each payment period (subject to government age-based minimum limits)<sup>1</sup>
- **flexible payment options** — you can choose to receive your nominated regular income amount fortnightly, monthly, quarterly, six-monthly or yearly
- you can make **lump sum withdrawals** at any time (provided you receive at least the minimum pension payment each year according to your age and account balance)
- you benefit from **tax-free investment earnings** because your retirement savings stay in the super system
- a **wide range of investment options**, including options exclusively for members who have an *NGS Income account*
- in the event of your death, you can choose to have your income either continue to be paid to a dependant as a **reversionary pension** or paid as a **lump sum** to your dependants or your estate.

Your *NGS Income account* payments must be paid to a personal account held solely or jointly in your name.

If you are age 60 or over, any payments made from your *NGS Income account* are tax-free. If you have reached preservation age (see Preservation table on page 2) and are less than age 60, you will continue to receive concessional tax treatment when you receive income from your *NGS Income account*.

Be aware, your investment returns in an *NGS Income account* are not guaranteed and depend on the performance of your chosen investment options. This means that you do not know how long your money will last.

<sup>1</sup> If you start an *NGS Income account* before 1 June in a financial year, your minimum annual pension amount will be pro-rated based on the number of days in the financial year from the account start date to the next 30 June. If your *NGS Income account* starts in June, no minimum annual pension amount applies for the financial year.

## Who is eligible for an NGS Income account?

In order to be eligible for an *NGS Income account*, you must have immediate access to your super benefit, having met one of the following conditions of release:

- you have permanently retired from the workforce after reaching your preservation age
- you have ceased a gainful employment<sup>2</sup> arrangement on or after age 60, even if you have not permanently retired
- you have reached age 65
- you have become permanently disabled.

## What is my preservation age?

Your preservation age depends on your date of birth. If you were born before 1 July 1963 then you have already reach your preservation age.

### Preservation table

Your date of birth	Preservation age
Between 1 July 1963 and 30 June 1964	59
After 30 June 1964	60

## How does an NGS Income account work?

When you become eligible, you may choose to transfer part or all of your super balance to an *NGS Income account* provided the value of all your retirement accounts do not exceed the transfer balance cap.<sup>3</sup>

Your *NGS Income account* can be made up of transfers from:

- some or all of your *NGS Accumulation account* (if you want to make any further contributions to this account, you will need to do so before you transfer it to the *NGS Income account*)
- rollovers from other super funds or pension accounts
- lump sum total and permanent disablement payments you receive from a super fund
- payments received as a result of commuting certain pensions or annuities into a lump sum.

You cannot make additional or ongoing contributions (including transfers) into your *NGS Income account* once it has been established. All transfers and rollovers into your *NGS Income account* must first be received by NGS Super before your *NGS Income account* starts.

Once your *NGS Income account* is established, you must receive a payment at least once each financial year. This means that you must receive a minimum payment based on your age and account balance at the time of calculation in order to comply with super law.

If you are under age 60, any income payments you receive from your *NGS Income account* will be taxed at your marginal tax rate, net of any tax offsets, plus the Medicare levy. The amount of tax that applies to your income payments may be reduced by any tax-free amounts for which you are eligible and the 15% tax rebate.

Payments for members aged 60 and over are tax free.

Any additional lump sums or rollovers you'd like to make at a later date can only be processed through an *NGS Accumulation account*.

You can then choose to either:

- set up a second *NGS Income account* or
- stop and close your current *NGS Income account* and start a new account with the additional funds.

Note: If at 31 December 2014 you held an account-based pension and you were in receipt of the government age pension, you will be assessed under the previous age pension income test rules for super pensions. The old rules allow for a deductible amount. Your annual income amount would be reduced by the deductible amount. The result is declared as income for the age pension income test.

However, if you stop and close your *NGS Income account* and start a new *NGS Income account*, you will be assessed under the new deeming rules for the income test for account-based pensions.

This could potentially result in you receiving a lower, or in some cases, no government age pension.

For more details, see our fact sheet **Your super and the age pension** at [ngssuper.com.au/PDS](http://ngssuper.com.au/PDS)

The minimum amount that must be paid from your *NGS Income account* annually is shown in the following table. The minimum is calculated based on your age at the start date of your *NGS Income account* (for the first year) and your age at 1 July each subsequent financial year.

### Minimum payments

Age	Minimum <sup>4</sup> % of account balance
Under 65	2
65–74	2.5
75–79	3
80–84	3.5
85–89	4.5
90–94	5.5
95 or more	7

<sup>2</sup> Gainfully employed means employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment.

<sup>3</sup> All individuals have their own personal transfer balance cap which is managed by the ATO. You can view your personal transfer balance cap through your ATO linked account by logging into [my.gov.au](http://my.gov.au)

<sup>4</sup> Where commencement is after 1 July and before 1 June, the minimum is proportional to the number of days remaining in that financial year. A reduced minimum rate applies for the 2021/22 financial year. The rates shown are due to double from 1 July 2022.

# LIVE THE RETIREMENT YOU'VE IMAGINED

## Here's a worked Income account example

Mary has retired at age 58 with a gross (i.e. before-tax) lump sum benefit of \$420,000, that she has chosen to rollover in full to an *NGS Income account*. As she has not reached age 60, Mary must declare her *NGS Income account* payments as part of her annual income tax return. During her working career, Mary contributed \$54,600 through after-tax (non-concessional) contributions, which she can claim as an annual tax-free amount against future pension income payments. In addition, Mary may claim the 15% tax rebate.

Mary must take a minimum pension of \$8,400 (at least 2% p.a. of her account balance<sup>4</sup> until 30 June 2022 when the minimum percentage of account balance increases) and can take a higher income amount if she wishes. As she is younger than 60, tax is payable on any taxable component that applies after all tax offsets have been taken into account.

If we assume Mary nominates to receive a gross income of \$45,000 (in the first year), her income tax position would be:

<b>Gross pension</b>	<b>\$45,000</b>
Less tax-free % amount	\$5,850 ( $\$54,600 / \$420,000 \times \$45,000$ )
<b>Adjusted taxable income</b>	<b>\$39,150</b>
Tax on taxable income	\$3,981
Less pension rebate	\$5,873
Less low income tax offset (LITO)	\$618
Less low and middle income tax offset (LAMITO)	\$416
<b>Tax payable<sup>5</sup></b>	<b>\$0<sup>6</sup></b>
<b>Medicare levy payable</b>	<b>\$783<sup>6</sup></b>
<b>Net income</b>	<b>\$44,217<sup>7</sup></b>

It is estimated that Mary will receive a net pension of approximately \$44,217 until she reaches 60 years of age (assuming no change to the income amount she has nominated or to the marginal tax rates).

## Income accounts and Centrelink

*NGS Income accounts* count towards both the assets test and income test for social security purposes. This means that your income accounts may affect your social security entitlements. The following information should only be taken as a guide — for more information, contact Centrelink.

For further details regarding your *NGS Income account* and the government age pension, refer to our fact sheet [Your super and the age pension](#) at [ngssuper.com.au/PDS](https://ngssuper.com.au/PDS)

As social security laws are complex, you may wish to consult Centrelink or get professional advice from an *NGS Financial Planner* before you apply for an *NGS Income account*.

<sup>5</sup> Please note that tax may be payable on any other personal taxable income received from other sources.

<sup>6</sup> The tax payable on \$39,150 income (after deduction of the LITO and the LAMITO) is less than the 15% tax rebate of \$5,873 [ $\$39,150 \times 15\%$ ] so Mary is obliged to pay the Medicare levy only until she turns 60.

<sup>7</sup> From age 60, no tax will apply (including the Medicare levy) so Mary's net income will be \$45,000.

## Key features of the NGS Income account

<b>Minimum opening balance</b>	\$20,000	
<b>Income amount</b>	Chosen by you, provided you meet the minimum payment required (set by government legislation).	
<b>Payment options</b>	Fortnightly, monthly, quarterly, six-monthly or annually by direct credit to your bank or credit union account.	
<b>Lump sum withdrawals</b>	Available at any time.	
<b>Withdrawal fee</b>	Nil.	
<b>Investment options</b>	<p>You have the flexibility to choose from a selection of:</p> <p><b>Nine pre-mixed options</b> — Moderate Growth (default option), Diversified, High Growth, Balanced, Defensive, Socially Responsible Diversified, Indexed Growth, Retire Plus and Shares Plus.</p> <p><b>Six sector-specific options</b> — Australian Shares, International Shares, Infrastructure, Property, Diversified Bonds, and Cash and Term Deposits.</p> <p><b>Tailored option</b> — NGS Self-Managed Direct Investment Option (DIO) which features the ability to choose from ASX-listed companies, exchange traded funds and term deposits.</p>	
<b>Investment switches</b>	Available at any time with no switching fee.	
<b>Death benefits</b>	Generally payable (if your nomination is valid) to your reversionary beneficiary if nominated at the commencement of your account, or to your nominated beneficiary(s), or to your estate, as either a lump sum or a pension. Further details can be found in our fact sheet <b>Nominate your beneficiaries</b> at <a href="https://ngssuper.com.au/PDS">ngssuper.com.au/PDS</a>	
<b>Administration fees and costs</b>	\$1.25 per week (\$65 per year) <b>PLUS</b> 0.10% p.a. of your account balance, capped at \$500 p.a.	
<b>Investment fees and costs<sup>8</sup></b>	Ranging between 0.03% p.a. and 0.87% p.a.	These are deducted from investment earnings <b>before</b> the unit price is determined. It is not a direct charge to your account.
<b>Transaction costs<sup>8</sup></b>	Ranging between 0% and 0.15% p.a.	
<b>NGS Self-Managed DIO trading fees</b>	The fees applying to this section include the Self-Managed DIO access fee, brokerage fees and exchange traded fund fees.	

For details of each of the above fees, please refer to our fact sheet **Fees, costs and tax** at [ngssuper.com.au/PDS](https://ngssuper.com.au/PDS)

<sup>8</sup> Investment fees and costs and transaction costs are estimates based on equivalent 2020/21 fees and costs. Past costs are not a reliable indicator of future costs. Actual costs will vary from year to year and will be shown in that year's Annual Report at [ngssuper.com.au/annualreport](https://ngssuper.com.au/annualreport)

### More information?

#### Contact us

You can contact us at  
[ngssuper.com.au/contact-us](https://ngssuper.com.au/contact-us)  
 or call us on **1300 133 177**  
 Monday to Friday,  
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If you are thinking about starting an *NGS Income account*, consider getting professional advice to understand how it could work for your personal situation.

We offer low-cost tailored advice through NGS Financial Planning. To make an appointment, phone us on **1300 133 177** or complete the **Financial planning enquiry form** at [ngssuper.com.au/advice](https://ngssuper.com.au/advice)

#### Important information

You should consider all the information contained in the **Product Disclosure Statement** dated 5 October 2021 and incorporated fact sheets before making a decision about investing in NGS Super. You can also view our **Target Market Determinations** at [ngssuper.com.au/TMD](https://ngssuper.com.au/TMD)

The information provided in this fact sheet is general information only and does not take into account your objectives, financial situation or needs. Before making a financial decision, please assess the appropriateness of the information to your individual circumstances and consider seeking professional advice.

NGS Financial Planning Pty Ltd, ABN 89 134 620 518, is a corporate authorised representative #394909 of Guideway Financial Services Pty Ltd, ABN 46 156 498 538, AFSL #420367 and offers financial planning services on behalf of NGS Super ABN 73 549 180 515.

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