

Macquarie Investment Management Limited

ABN 66 002 867 003

AFS Licence Number 237492 RSEL L0001281

A Member of the Macquarie Group

1 Shelley Street
SYDNEY NSW 2000

Telephone
Fax

1800 025 063
1800 025 175

GPO Box 4045
Sydney NSW 2001

Email
Internet

wrapsolutions@macquarie.com
macquarie.com.au

«client_title» «client_name» «client_surname»
«Addr_Line_1»
«Addr_Line_2»
«Addr_Line_3»
«City» «State» «Postcode»
«Country»



Date

Dear «salutation»

Changes to pensions

Account name: «account_name»

Account number: «account_number»

On **1 July 2017**, the government's super reform changes came into effect.

As the holder of a pension, we're getting in touch to explain these changes, and, depending on the type of pension account you hold, what they mean for you.

The transfer balance cap

The changes introduce a transfer balance cap. This is a limit on the amount of super that can be converted to a tax free pension, of \$1.6 million.

From **1 July 2017**, we're required to report to the Australian Taxation Office (ATO) the commencement value of an account-based pension for transfer balance cap purposes. For existing pensions, we're required to report the value of the pension at 30 June 2017. If you have a defined benefit pension (eg certain pensions paid to former government employees), these pensions are included in the cap as well.

Penalties may apply if:

- the total of your benefits in the tax free pension phase at **30 June 2017** is greater than the \$1.6 million cap, or
- if you transfer into the tax free pension phase an amount that is greater than the cap.

Term allocated pensions

The reform package will also impact those holding term allocated pensions (TAPs). How your TAP is treated for transfer balance cap purposes and income tax will depend on when it was commenced.

TAPs commenced prior to **1 July 2017** are considered a capped defined benefit income stream and if you receive more than \$100,000 in income annually from these types of pensions you may incur additional tax. Regardless of your age or the level of income you receive from the TAP, we are required to report your income to the ATO and provide you with a Pay As You Go payment summary at the end of the financial year.

The TAP will also count towards your transfer balance cap. The amount counted is based on your annual income and the remaining term, rather than your actual account balance.

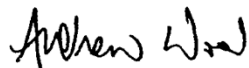
TAPs commenced after **1 July 2017** are not considered capped defined benefit income streams and are treated in the same manner as an account-based pension.

If you choose to commute your TAP and rollover to commence a new TAP, this will impact the treatment of these benefits for both transfer balance cap and income tax purposes.

Need help?

If you have any questions, please contact your adviser or call us on **1800 025 063**.

Yours sincerely,



Andrew Wood
Division Director
Head of Investment Services