MACQUARIE

Navigating your retirement:

A practical guide to help you prepare for life after work

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Your next chapter

For decades, your super has had one clear goal: to help you save for retirement. You've most likely made regular contributions over your working life and watched your savings grow over time.

As retirement approaches, that focus undergoes a major shift. You're moving from a lifetime of saving to the practical phase of drawing an income to fund your lifestyle. Replacing your salary with a regular retirement 'pay cheque' is a big step, and you're likely to want certainty before you make the change. You may find yourself asking:

"How do I turn my super balance into a regular, reliable income?"

"How will my super complement my other income, like rent from an investment property or the government age pension?"

"How can I structure my wealth to minimise tax and protect my family's legacy?"

This guide gives you clear practical steps to help you move into retirement with confidence. It focuses on taking a regular income from your super but depending on your circumstances and the type of super or retirement income products you hold, you may also have the option to take out lump sum amounts.

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To help you build a secure and sustainable retirement income, we've broken the journey down into four parts. Depending on where you're at in your retirement journey, you may wish to read this guide cover to cover or jump to the part that most aligns with your circumstances.

PART 1

Visualising your retirement

Focuses on the lifestyle and non-financial aspects of retirement, guiding you through defining personal goals, understanding how spending patterns change over time, and estimating your target budget.

PART 2

The retirement countdown

Details the key superannuation rules and contribution opportunities in your final years of work.

PART 3

Designing your retirement income

Explains how to convert super savings into a regular income, whilst managing risks that may impact how long your income lasts. It also explores lifetime income streams and explains how to integrate other income sources to meet your cash flow needs.

PART 4

Protecting your legacy

Outlines how to ensure your accumulated wealth passes to your loved ones as intended, covering binding nominations, death benefit taxation, reversionary pensions and estate alignment.

Retirement is not a one-size-fits-all formula. By exploring these chapters and partnering with your financial adviser, you can ensure your wealth is well structured to fund the retirement lifestyle you have earned.

Important note

This guide has been prepared without any knowledge of your circumstances. The information is general in nature and should not be relied upon as specific financial advice. We strongly recommend that you seek the advice of a registered financial adviser.

Taxed versus untaxed funds

This guide provides information about taxed superannuation funds. A taxed superannuation fund pays tax on the assessable contributions and certain investment income of the fund. Most Australian superannuation funds are taxed superannuation funds. We have not included information about untaxed superannuation funds, such as certain government or public sector funds, where different rules apply.

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01 Visualising your retirement

Visualising your retirement

Retirement is a big change in life. It's easy to see it as just a financial goal, but being ready for retirement is about more than just your savings balance. It's about designing the life you want, understanding your living costs and preparing for life after work.

This section helps you build the foundation for your retirement plan so you can approach your next chapter with clarity and confidence.

What does retirement mean to you?

Retirement used to be seen as a sudden stop - one day you worked full-time, and the next day you didn't. Today, it's much more flexible.

Before you dive into the numbers, take time to reflect on what your daily life might look like in retirement:



Phasing in or stepping away

Consider whether you want to stop working completely or gradually move into part-time work, consulting or volunteering.



Lifestyle and hobbies

Decide how you want to spend your time after work. Do you want to travel frequently, pursue hobbies, or spend more time with family?



Where you will live

Do you plan to stay in your current home, downsize or move to a new area?

Thinking through these questions gives your financial plan a clear purpose and helps you work towards the lifestyle you really want.

Your needs will change over time

On average, Australians plan to retire around age 65.(1) With life expectancy getting longer, you could spend 20 years or more in retirement. Your spending and lifestyle will change over time, so it helps to think about your retirement in three phases.(2)

Retirement stage	Typical lifestyle characteristics	Spending patterns
Early retirement	**Active:** A busy lifestyle, which may include overseas or interstate travel, home renovations and pursuing new hobbies.	**Higher discretionary spending:** Costs are often similar to your late-career spending because of leisure and travel.
Mid-retirement	**Settled:** A more relaxed, predictable routine often centred around home, local community and family.	**Lower living costs:** You may travel less, work-related costs have gone and your mortgage might be paid off.
Later retirement	**Supported:** A slower pace of life, with increasing focus on health, mobility and in-home support or aged care.	**Shifting priorities:** Day-to-day spending may fall, but medical, health and assisted living or care costs may rise.

(1) Australian Bureau of Statistics, Retirement and Retirement Intentions, Australia (31 October 2025).
(2) ASIC Moneysmart, Make a retirement plan - Moneysmart.gov.au (2 September 2026).

Visualising your retirement Continued

The Association of Superannuation Funds of Australia (ASFA), through its Retirement Standard, estimates that retirees over age 85 spend around 5 per cent less each year than those aged 65 to 84.[3] However, consulting firm Milliman Australia estimates that spending may fall by more than one-third from early retirement to late retirement.[4]

Recognising that your spending needs will change over time helps you and your financial adviser tailor an income drawdown strategy that matches your lifestyle at each stage.



How much income will you need?

Working out how much income you'll need in retirement can feel daunting. A great place to start is by creating a budget, based on the lifestyle you want. There are a variety of online tools available to help, like the government's budget planner on the Moneysmart website.

Apart from a personal budget, there are two common methods that can help estimate your annual income needs. These are useful guides, but they have limits and might not match your situation.

The replacement rate approach

A widely accepted benchmark suggests that you'll need about 70 per cent of your pre-retirement, after-tax income to keep your lifestyle the same. This is because everyday living expenses typically decrease once you finish working:[5]

- **Work-related costs:** Travel to work, work clothing and other work-related expenses are eliminated.
- **Housing costs:** Many retirees have paid off their mortgage before entering retirement.

You may also be eligible for government concession cards, which can significantly lower council rates, utility bills, public transport, and prescription medicine costs.

Industry standard benchmarks

Benchmarks like the ASFA Retirement Standard provide real-world estimates for what retirees spend, as a dollar amount, depending on the type of lifestyle they'd like.

- **Modest lifestyle:** Covers the basics, with some simple leisure activities. It sits just above the government age pension.
- **Comfortable lifestyle:** Allows for top private health insurance, a better car, regular travel and dining out.

ASFA provides quarterly updated budgets for couples and singles, homeowners and renters, which you can find on their website.

(3) Calculated based on the difference between the ASFA Retirement Standard estimated budgets for singles and couples (homeowners), aged 65 to 84 and age 85 plus for the June quarter 2026.
(4) Milliman Australia, 'Spending patterns – providing comfort to retirees in a volatile market' (20 April 2020).
(5) Grattan Institute, 'How much do you need to retire?' (10 December 2024).

Visualising your retirement Continued

Projecting your retirement income

Once you've estimated the income you need, the next step is to see if your financial position is on track.

Online tools like the Moneysmart Retirement Planner can project your financial position and estimated retirement income. If the projection shows a gap, a financial adviser can help you explore ways to close it, such as making extra contributions, adjusting your retirement date or reviewing your asset allocation.

Understanding the limitations of long-term projections

Long-term projections aren't perfect. They rely on standard assumptions about investment returns, inflation and rule changes that may not hold true. However, they're still a great tool for making decisions today and highlighting any potential shortfalls early.

Example: Identifying and addressing a projection gap

The situation: Mark, aged 63, earns $95,000 per year and has a superannuation balance of $300,000 invested in a balanced portfolio. He's hoping to retire at age 65. He's reviewed the ASFA Retirement Standard for a comfortable lifestyle and set a target retirement income of approximately $56,000 per year.

The projection: Moneysmart's online Retirement Planner projects that Mark's projected super balance at age 65, combined with an estimated future partial age pension (from age 67), gives him a retirement income of almost $51,000 per year until around age 91.

The finding: Mark identifies an estimated annual income gap of approximately $5,000 between his projected retirement income and his desired lifestyle.

The advice action: Mark makes an appointment with his financial adviser. Together, they discuss some potential strategies for achieving his retirement goals, such as making additional super contributions, or delaying his retirement by a few years.



Visualising your retirement Continued



Part 1 action checklist

Use this checklist to track your preparation for this phase:

- ☐ **Map out your vision:** Write down a few core lifestyle goals for your first few years of retirement.
- ☐ **Review your budget:** Calculate your current living expenses, splitting your spending into 'essential needs' (e.g. food, utilities, rates, health) and 'lifestyle wants' (e.g. holidays, hobbies, dining out).
- ☐ **Estimate your retirement timeframe:** Identify your preferred retirement age and whether you want to stop working completely or step down gradually.
- ☐ **Check your current position:** Review your latest superannuation statement to check your balance and make a list of your non-super investments like savings, shares, managed funds and investment properties.
- ☐ **Run a retirement projection:** Use an online tool such as the Moneysmart Retirement Planner to project whether your super balance is on track to deliver your required retirement income.
- ☐ **Book a session with your adviser:** Bring your lifestyle goals and preliminary budget to your meeting to start aligning your portfolio with your timeline.

How an adviser can help

Visualising life after work provides a blueprint for your retirement, but a financial adviser can help test your goals and budget to make sure they're realistic and achievable. They can also provide clarity on how your superannuation and other assets can work together to fund your preferred lifestyle in retirement.



02
The retirement countdown

The retirement countdown

Your final years of work are a critical planning window. The decisions you make now can have a big impact on your final super balance, your tax and how quickly you can access your money.

Here are some super-related things to think about as you get closer to retirement.

Unlocking your super: meeting a 'condition of release'

Your super is locked away (or 'preserved') by law until you meet a specific legal requirement. This is known as a 'condition of release'. Meeting one of these conditions unlocks your super, allowing you to start an income stream or take out lump sums.

Here are the most common conditions of release for retirees.

Condition of release	Key criteria	Access level
Reaching age 65	You've reached age 65.	Full, unrestricted access. You don't need to stop work or change employment hours.
Retiring on or after age 60	An employment arrangement has ended, and you don't plan to work more than 10 hours per week again.	Full, unrestricted access.
Ending an employment arrangement at or after age 60	You leave a job after turning 60, even if you plan to work somewhere else.	Full, unrestricted access to all super accumulated up to that point.
Preservation age reached (currently age 60)	You've reached age 60 but are still working.	Restricted access: You can start a transition to retirement (TTR) pension (see page 13).

Making the most of contribution opportunities

Even with only a few years of work left, you may still be able to boost your super balance with extra contributions. Just remember that caps apply to the amount you can contribute to superannuation, and it's best to speak with a financial adviser before making large contributions.

Concessional contributions

If your taxable income is higher in your final working year, for instance, due to accrued leave payouts or a severance package, making extra concessional contributions can be a great way to save on tax and boost your balance.

Concessional contributions include employer Superannuation Guarantee, salary sacrifice and personal contributions claimed as a tax deduction.

- **The annual cap:** An annual limit called the concessional contributions cap applies to these contributions.
- **The 'carry-forward' rule:** If your total superannuation balance[6] was less than $500,000 at 30 June of the previous financial year, you might be able to use any leftover concessional contributions cap from the last five financial years. This is known as the 'carry-forward' rule.
- **Tax concessions:** Concessional contributions are taxed at 15 per cent inside the fund rather than your marginal rate (plus Medicare levy). An additional 15 per cent tax (known as Division 293 tax) can apply to individuals whose combined income[7] and concessional contributions exceed $250,000. This still compares favourably to the highest marginal tax rate of 45 per cent plus Medicare levy.

A final chance to boost your super

Your final years of work are a critical opportunity to make extra contributions. Talk to an adviser to see if making additional contributions is right for you.

(6) Total superannuation balance represents the value of all your superannuation interests. For more information, visit the ATO website.
(7) Income for Division 293 tax is equal to the sum of your taxable income (less the taxable component of a superannuation lump sum which is taxed at 0% and the assessable amount released under the First Home Super Saver Scheme), family trust distributions excluded from assessable income due to the payment of family trust distribution tax, reportable fringe benefits total, and total net investment losses.

The retirement countdown Continued

Non-concessional contributions

If you have savings outside super, you might consider moving them into your super account as non-concessional contributions.

Non-concessional contributions are typically personal contributions that you don't claim as a tax deduction or contributions that are made for you by a spouse. These contributions are not taxed when they go into your fund.

- **The annual cap:** An annual limit called the non-concessional contributions cap also applies to these contributions.
- **The 'bring-forward' rule:** Depending on your total superannuation balance at 30 June of the prior financial year, you may be eligible to 'bring forward' up to two future years of caps.
- **Why it matters:** Once inside super, the investment earnings are taxed at concessional rates. This treatment generally compares favourably to earnings on investments held outside superannuation. Eligibility rules and caps can be reviewed on the ATO website.

Downsizer contributions

If you're selling your principal residence (or property that was your principal residence), you may be eligible to contribute some, or all, of the proceeds into super.

- **The rule:** You can contribute up to $300,000 (or $600,000 as a couple) from the sale proceeds of your primary home.
- **The key benefits:** Downsizer contributions don't count towards your standard concessional or non-concessional contribution caps, and are not restricted by your total superannuation balance.(8)
- **Key eligibility criteria:** You must be aged 55 or older at the time of the contribution, have owned the home for at least 10 years, and submit the ATO's ***Downsizer contribution into super form*** to your fund before or at the time of the payment. To learn more, visit the ATO website.



(8) Total superannuation balance represents the value of all your superannuation interests. For more information, visit the ATO website.

The retirement countdown Continued

Review your investment strategy

As you get closer to retirement, it's important to review how your super is invested. Many funds offer diversified options (such as growth, balanced or conservative), as well as specific asset classes like Australian shares, international shares, fixed interest, cash or property.

Some funds, like the Macquarie Superannuation Plan, offer a broad range of managed and direct investments, allowing you and your adviser to build a portfolio tailored to your goals.

Your chosen options will depend in part on your tolerance for market volatility:



Understanding your risk profile:

Generally, investments with higher potential returns carry higher risk of short-term losses. Your comfort with fluctuation in returns is known as your 'risk profile'.



The pre-retirement shift:

Your risk profile naturally changes as you get older and your personal circumstances evolve. While younger investors often focus more on growth assets, as you approach retirement, you may prefer a more conservative approach to protect your capital.



The 20 plus year horizon:

While capital protection is essential, your savings may still need to last another 20 years or more. Shifting your entire balance in ultra-conservative assets like cash introduces you to other risks, such as:

- **Inflation risk:** The erosion of your purchasing power over time if investment returns fall behind rising living costs.
- **Longevity risk:** The risk of outliving your capital if low portfolio returns force you to draw down your principal capital too quickly.

Working with your financial adviser can help you to find the right balance - protecting your savings for the short term while keeping enough growth to fund your later years.

Using your super in the transition to retirement

If you're over 60, but haven't retired or reached age 65, you could use your super to start a transition to retirement (TTR) pension.

A TTR pension lets you draw a regular income from your super to top up your pay, giving you the flexibility to reduce your work hours without cutting your income. It's like an ordinary account-based pension (see page 18), but with additional restrictions:

What is a TTR pension?

If you're aged 60 to 65 and still working, a TTR pension lets you draw an income from your super. It can help you reduce your work hours without cutting your income, or be used as a tax-effective way to boost your super before you retire.

- **Minimum and maximum annual withdrawal:** Each financial year, you must withdraw between 4 per cent and 10 per cent of your account balance (as at 1 July) as an income stream.
- **Lump sum restrictions:** TTR pensions are generally non-commutable, meaning you can't make ad-hoc lump sum cash withdrawals, until you satisfy a full condition of release. You may, however, transfer the funds back into a standard super accumulation account at any time.
- **Automatic conversion:** Once your super fund knows you've met the retirement condition of release or you turn 65, a TTR pension automatically becomes a standard, unrestricted account-based pension. There is no longer a maximum 10 per cent withdrawal limit, lump sums become accessible, and the tax on investment earnings inside the fund drops from 15 per cent to 0 per cent.

The retirement countdown Continued

A tax-effective strategy

A TTR pension is a great way to ease into retirement, and when paired with extra super contributions, it can also be a tax-effective strategy.

- Making contributions from pre-tax income (e.g. salary sacrifice or personal contributions claimed as a tax deduction) into your super accumulation account, reduces your personal taxable income.
- Drawing tax-free income from your TTR pension (tax-free for individuals aged over 60) to replace the salary (or other income) used to fund the concessional contributions.
- This keeps your take-home pay the same, while reducing overall tax and helping you grow your retirement savings faster.

Who is this strategy suitable for?

This strategy isn't suitable for everyone, so you should discuss with your adviser whether it's right for your situation, considering your income, super balance and how close you are to retiring.

- **Your income tax position:** This strategy works best if your personal marginal tax rate is 30 per cent or more (plus Medicare levy). That's because you're diverting pre-tax income, which would be taxed at a high personal rate, towards your super account, where it will be taxed at the lower rate of 15 per cent. The wider the gap between your marginal tax rate and the 15 per cent super contributions tax, the greater the net benefit.

  Note: If your combined income and concessional contributions exceed $250,000, your contributions are taxed at 30 per cent rather than 15 per cent, which reduces (though does not necessarily eliminate) the potential tax benefit.
- **Your super balance:** Because the annual withdrawal rate is 4 to 10 per cent of the account balance, you need a sufficient super balance for the drawdown amount to meaningfully support your living expenses or replace your sacrificed salary.
- **Available concessional cap space:** You'll need to have space under your annual concessional cap (explained on page 11) to be able to make additional super contributions.
- **Your age or planned retirement date:** If you're approaching age 65 or plan to retire permanently or end an employment contract in the very near future, you may be better off waiting until you meet a full condition of release to start a standard account-based pension, which benefits from 0 per cent tax on investment earnings (TTR pension earnings remain taxed at up to 15 per cent).

Broader considerations to discuss with your financial adviser

Apart from your superannuation, there are several other personal financial decisions that you should think about in planning your transition to retirement:

- **Debt management:** Prioritising the repayment of outstanding personal debt or reviewing your home loan strategy before regular employment income ends.
- **Pre-retirement capital expenditure:** Planning for major near-term expenses, such as home renovations, medical procedures or vehicle replacements, so they don't unexpectedly deplete your capital in early retirement.

Your financial adviser can model how these elements interact with your overall financial position.



The retirement countdown Continued

Part 2 action checklist

Use this checklist to track your preparation for this phase:

- ☐ **Identify your condition of release:** Check your age against the conditions of release to verify when you are likely to be able to access your superannuation.
- ☐ **Review your contribution limits:** Check your myGov account for your current total superannuation balance, remaining concessional and non-concessional contributions cap space, as well as any unused carry-forward concessional contributions available.
- ☐ **Assess downsizer contribution eligibility:** If selling your home (and you've owned it for 10 or more years) and you are aged 55 or older, consider whether you're eligible to contribute some of the proceeds to your super account.
- ☐ **Explore a transition to retirement strategy:** If you are over 60 and still working, consider whether a TTR pension strategy is appropriate for your circumstances.
- ☐ **Review your investment strategy:** Check how your super is invested, and whether any changes are required to your portfolio as you prepare to shift into retirement.
- ☐ **Address personal debt and near-term capital expenses:** Consider paying down high-cost personal debts and budget for upcoming major expenses (e.g. renovations, medical procedures) so they don't impact your retirement capital.

How an adviser can help

The rules relating to contributions, caps, and accessing your superannuation are complex. Your financial adviser can help you navigate these rules and provide advice in areas such as:

- Contribution strategies to boost your superannuation during your final year(s) of work.
- Reviewing your investment strategy, so your retirement savings are protected against inflation and adverse market conditions during the early years of your retirement.
- When and how you can access your superannuation, including whether a TTR pension is appropriate for your circumstances.
- Managing the repayment of personal debt and funding options for pre-retirement capital expenses.





03

Designing your retirement income

Designing your retirement income

When you get close to retirement, your focus shifts from growing your savings to creating a regular, reliable income to replace your salary.

Your super fund won't automatically switch your savings into a retirement income stream (often called a pension). To start getting regular payments, you need to tell your fund to move your super into a pension account.

The benefits of turning your super into a pension

You don't have to start a pension when you retire. You could leave your super where it is and just take out money as you need it. However, moving your super into a retirement pension gives you some great financial benefits:

- **Zero tax on investment earnings:** In accumulation, your investment earnings are taxed at up to 15 per cent. Once you move your money into a pension, there's no tax on any future investment earnings. This means 100 per cent of your investment returns stay in your account to support your income.(9)
- **Tax-free income from age 60:** All pension payments and lump sums you receive after you turn 60 are tax-free and don't need to be reported on your annual tax return.
- **Automated cash flow:** A pension gives you regular, automatic payments (e.g. fortnightly, monthly or quarterly) directly into your bank account, just like a salary.
- **Your money stays invested:** Keeping your money in a pension account allows you to stay invested in the market so it can keep growing, tax free.(9)

Once you move your money into a pension, there's no tax on any future investment earnings. This means 100 per cent of your investment returns stay in your account to support your income.(9)



Accumulation phase

- Contributions
- Investment earnings and realised capital gains taxed at up to 15%(9)

Transfer →



Retirement phase (pension)

- Regular income payments (tax free from age 60)
- Investment earnings and realised capital gains are tax free(9)

(9) Additional tax is payable on earnings for individuals with large superannuation balances. From 2026/27, an extra 15 per cent tax is applied to earnings on total superannuation balances exceeding $3 million. For balances above $10 million, a further 10 per cent tax applies to the earnings on the amount above this threshold.



Designing your retirement income Continued

Limits on the amount you can transfer to a pension

The government limits how much you can move into a tax-free retirement pension. This is called the 'transfer balance cap' (or TBC):

- **The general transfer balance cap:** For the 2026/27 financial year, the general transfer balance cap is $2,100,000. Your personal cap may differ depending on when you first started a pension.
- **How it works:** The Australian Taxation Office (ATO) manages your personal transfer balance account. It's a notional account that records how much of your super you have moved into the tax-free retirement phase against your personal TBC. Lump sum withdrawals or transfers back to an accumulation account reduce the amount of your pension that was counted against your TBC. Pension payments and investment earnings within the pension account don't impact the amount counted towards your TBC.
- **Excess balances:** Any superannuation savings in your accumulation account that exceed your personal TBC can't be moved into a tax-free retirement pension. They can be retained in your accumulation account or withdrawn from the super system. Tax penalties apply where you exceed your personal TBC.

Account-based pensions: A flexible income solution

Whilst there are different types of retirement income streams, an account-based pension (ABP) is one of the most common ways retirees create an income from their super.

The Macquarie Superannuation Plan offers account-based pensions, but there are other retirement income product options that can help manage the risk of running out of money in your retirement. These products are discussed on page 25.

For more information about retirement income products available in the Macquarie Superannuation Plan, read the relevant Product Disclosure Statement (PDS) and Target Market Determination (TMD) available on our Wrap product information page.

Key features of an account-based pension

- **Flexible income payments:** You choose how often you get paid (such as fortnightly, monthly, quarterly or annually) and you can adjust the amount at any time, as long as you meet the government's minimum (see page 19).
- **Full capital control:** Account-based pensions provide flexible access to your money. You can take out lump sums for big expenses, such as emergencies, holidays or home renovations.
- **Continuous growth:** Your balance stays invested, allowing your retirement savings to keep growing tax-free while you draw an income.

The trade-off is that an account-based pension offers no guarantee that your income will last for life – payments only continue as long as there is money in your account.

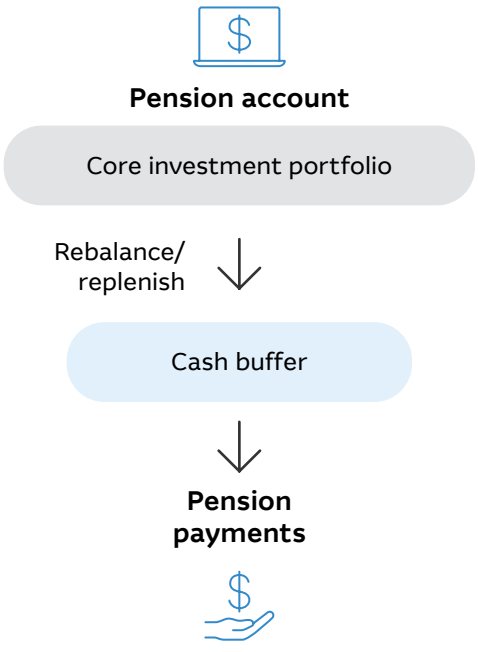
Managing market volatility: The cash buffer

A common worry for new retirees is, *"What happens if investment markets fall just as I start living off my savings?"* This is known as 'sequencing risk', and it can have a lasting impact on your savings.

To protect against this, advisers may recommend setting up a cash buffer (also called a bucket strategy) within your pension account. This typically involves:

- Setting aside one to two years' worth of your income needs in defensive assets, like cash.
- Drawing your income from this cash buffer instead of selling your growth assets. This helps to protect your capital if there's a market downturn.
- Transferring accumulated returns from your growth assets back to replenish the cash buffer.

The cash bucket strategy



Designing your retirement income Continued

Setting and refining your investment strategy

Once your short-term income is secured, you need to decide how to invest your remaining balance. Shifting into retirement doesn't mean you should immediately move all your money into cash or term deposits. Your long-term investment strategy needs to manage three key risks.

- **Market risk (short-term):** The risk of a sudden market fall reducing the value of your portfolio. You can manage this by holding a cash buffer.
- **Inflation risk (mid-term):** The risk that your money buys less over time. You can manage this by keeping a portion of your funds in assets that are expected to grow more than inflation.
- **Longevity risk (long-term):** The risk of outliving your money. To fund retirement over 20 years or more, your portfolio needs to continue generating growth that is expected to be more than the inflation rate.

To balance these three risks, advisers typically construct a diversified, multi-stage portfolio:

- **Short-term needs (defensive):** A cash buffer and short-term fixed interest holdings, designed to secure immediate income needs for the next one to two years regardless of market conditions.
- **Medium-term needs (balanced):** Conservative growth assets (like diversified fixed income or property) that provide reliable yields and steady, low-volatility growth.
- **Long-term needs (growth):** An allocation to growth assets (such as Australian and international shares) to generate the investment returns required to keep your account sustainable into your 80s and 90s.

Your financial adviser is key in helping you set and manage this allocation. They can adjust your investment strategy to match your personal tolerance for risk and your specific cash-flow needs.

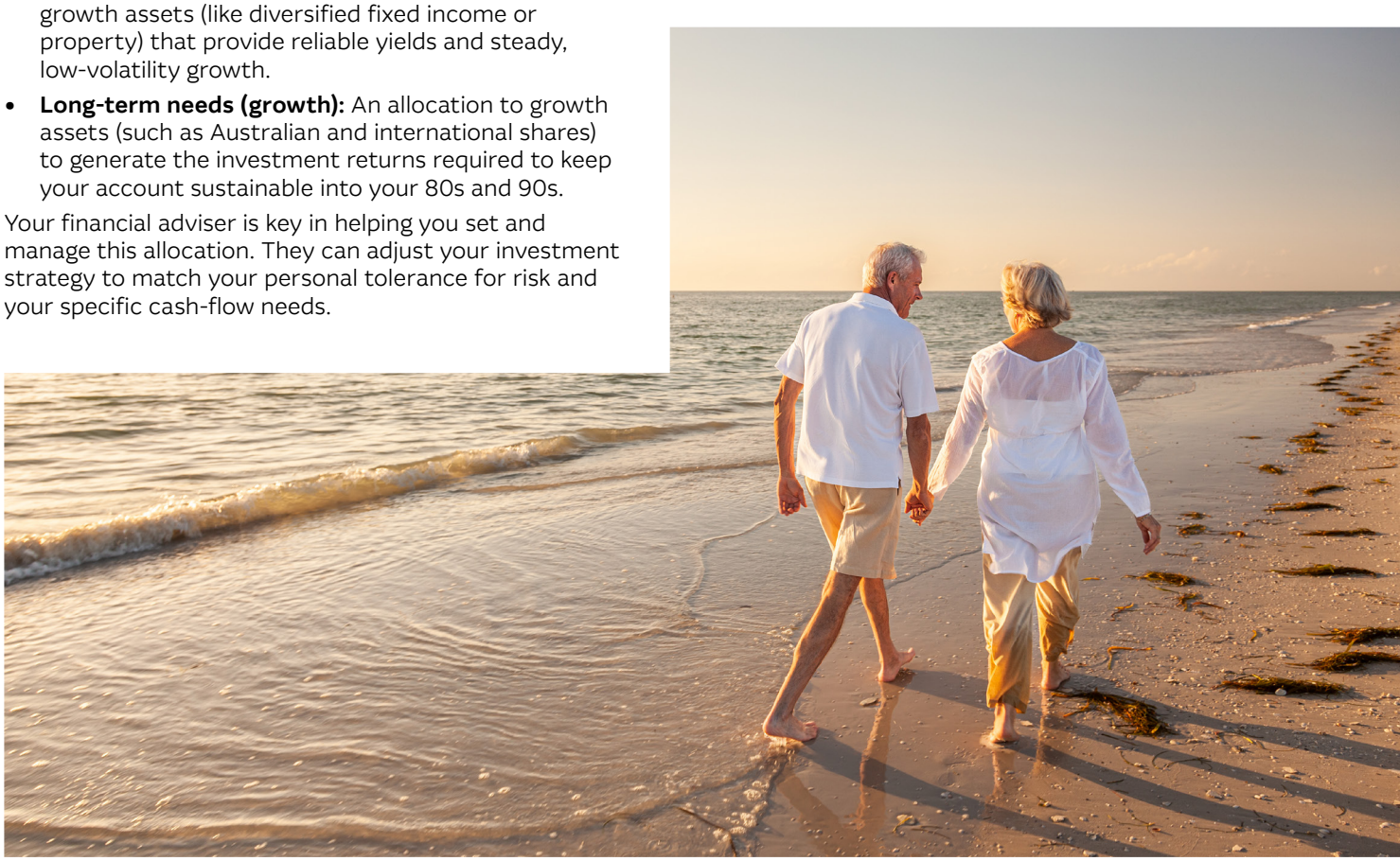
Understanding the minimum drawdown rules

To make sure super is used to fund retirement, the government sets a minimum amount you must take out each financial year, based on your age.

This minimum is calculated on 1 July each year (or proportionally on the day your pension starts):

Age bracket	Minimum annual drawdown rate
Under 65	4%
65–74	5%
75–79	6%
80–84	7%
85–89	9%
90–94	11%
95 or over	14%

There is no maximum limit on what you can withdraw from an account-based pension, meaning you can increase or decrease your income as your spending needs change.



Designing your retirement income Continued

Setting your drawdown strategy

Working out how much income to take from your account-based pension requires careful consideration. It's a balancing act. If you take out too little, you might compromise your lifestyle, but if you take out too much, you risk running out of money.

Your account-based pension rarely operates on its own. Before deciding how much to take from your super, you should calculate your net income needs, taking into account your other income sources.

Following the steps below can help you work out how much income to take from your account-based pension:

Step 1

Work out your income needs (or budget)

As mentioned in part 1, this could be based off your pre-retirement expenses or an industry standard (such as the ASFA Retirement Standard). When building this budget, consider categorising your expenses into essential 'needs' (like rates, utilities, groceries and healthcare) and discretionary 'wants' (like travel, dining out and hobbies). This distinction becomes incredibly powerful if investment markets fluctuate, as you will know exactly how much lifestyle spending you can temporarily dial down to protect your capital.

Step 2

Calculate your outside income

Tally all non-super income sources (rental yields, dividends, bank interest, employment and the age pension). Because non-super income is taxable, estimate any income tax payable to determine your net outside cash flow.

Step 3

Determine your super income

Subtract your net outside income from your total income needs. The remaining figure is the amount your pension must cover.

Once you've identified your shortfall, you can choose a drawdown framework. Some commonly used methods for structuring payments are outlined below:

Drawdown approach	How it works	Who it's suited for	Key considerations
The statutory minimum	Draw only the minimum percentage mandated by the government for your age bracket (see page 19).	Retirees with substantial outside income or those focused on maximising tax-free compounding inside super.	• Maximises the amount of money in super. • May not provide enough income to fund your early, active retirement lifestyle unless supplemented by other assets.
A fixed amount	Set a specific regular payment directly linked to your budget shortfall (e.g. $50,000 per year). The nominated amount must also meet the government's minimum drawdown rate.	Retirees seeking predictable fortnightly or monthly budgeting.	• Highly predictable. • If investment markets fall, drawing a fixed dollar amount represents a higher percentage of your remaining capital, which can deplete your balance faster.
An affordable drawdown rate	Calculate a sustainable spending rate based on life expectancy, assumed investment returns, inflation and risk tolerance. The nominated amount must also meet the government's minimum drawdown rate.	Retirees balancing active early retirement against long-term portfolio longevity.	• Optimises lifestyle spending while protecting capital. • Requires dynamic adjustments based on market performance.

Designing your retirement income Continued

Illustrating the drawdown approaches

While the steps to calculate the income required from your super are straightforward, there is no single 'correct' way to structure your retirement income. Your strategy will depend on your mix of assets, your eligibility for government support and your long-term goals, such as whether you want to maximise your spending today or preserve capital to leave a legacy for your family. We strongly encourage you to speak with your financial adviser to model a strategy tailored to your personal circumstances.

The following case studies illustrate how different retirees apply these drawdown approaches to their household cash flow.

Case study 1: The statutory minimum (capital preservation focus)

Meet John and Sarah, both aged 66 and homeowners.

- **Combined pension balance:** $1,500,000 split equally across two account-based pension accounts.
- **Other assets:** A residential investment property valued at $750,000, returning $30,000 per year in net rental income.
- **Their goal:** Enjoy a comfortable lifestyle in retirement, whilst leaving as much money as possible inside the tax-free super environment as a legacy for their children.

How they calculated their drawdown:

- **Step 1 (income needed):** They established they need around $100,000 per year to fund a comfortable lifestyle, including overseas travel and dining out.
- **Step 2 (income from outside super):** They receive $30,000 annually from their investment property. With total assessable assets over $2.2 million, they don't anticipate being eligible for the government age pension.
- **Step 3 (income to be funded by super):** This means $70,000 will need to be funded by their super (the $100,000 needed less the $30,000 they receive in rent).

The drawdown decision:

At age 66, their statutory minimum drawdown rate is 5 per cent of their superannuation balance on 1 July, which is $75,000 ($37,500 each) in their first year.

When combined with their rental income, this gives them a total income of $105,000, resulting in a small surplus of $5,000 in year 1.

Rather than spending this excess, they deposit it into a high-interest savings account outside super.

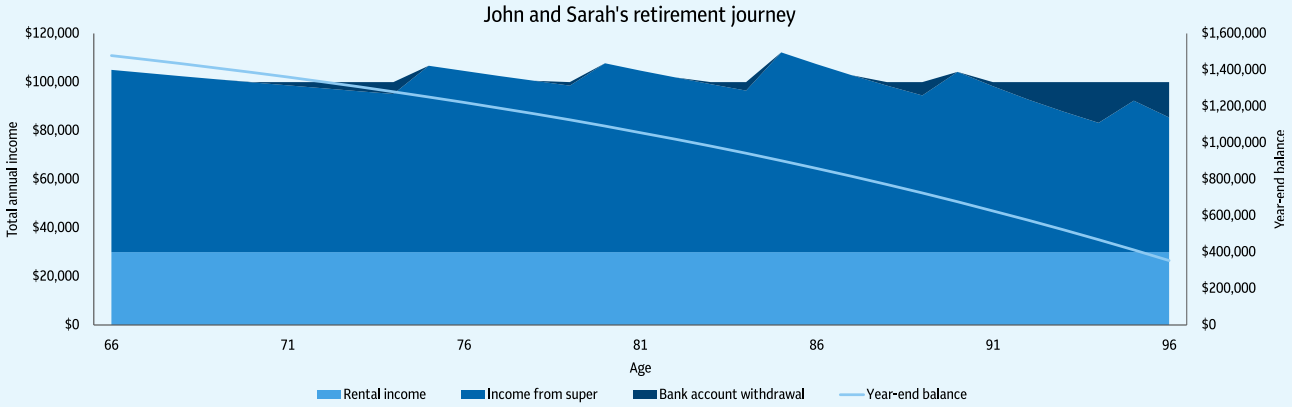
Why it works for them:

- **Maximising capital inside super:** By drawing only the statutory minimum, they keep the maximum possible capital inside the super environment, aligning with their long-term estate planning goals.
- **Managing the cash surplus (early to mid-retirement):** Saving any surplus builds a liquid cash buffer outside of super.
- **Changing super balance and needs (late-stage retirement):** By the time John and Sarah enter their 90s, their super balance will have declined due to decades of drawdowns, and the minimum required drawdown will be a much lower dollar amount. However, in practice, retirees' discretionary spending on major travel, dining out and transport tends to decline through their 80s and 90s, meaning they'll likely need much less than $100,000 per year. There may not be a shortfall. But if there is, they can use their personal savings from the cash surpluses they've banked during their 60s, 70s and into their 80s to fund the gap.
- **Preserving a legacy:** At age 95, John and Sarah are projected to hold more than $400,000 in today's dollars inside super, alongside their $750,000 property, securing a significant estate for their children.

Designing your retirement income Continued

Case study 1: The statutory minimum (capital preservation focus) (Continued)

The chart below shows John and Sarah's retirement income over time, along with the combined balance of their account-based pensions and bank account. As you can see, the income from their account-based pension varies, depending on their account-based pension balance and the minimum drawdown rate. The spikes in income every five years from age 75 reflect the increase in the minimum drawdown rate.



Assumptions: Nominal investment return of 6.0% p.a., inflation of 2.5% p.a., net rental income flat in real terms, figures in today's dollars.



Designing your retirement income Continued

Case study 2: A fixed amount (budget certainty focus)

Meet Helen, aged 68 and a single homeowner.

- **Pension balance:** $260,000 in an account-based pension.
- **Other assets:** $20,000 in personal effects and home contents.
- **Her goal:** Maintain control over her fortnightly household budget with a predictable, regular payment.

How she calculated her drawdown:

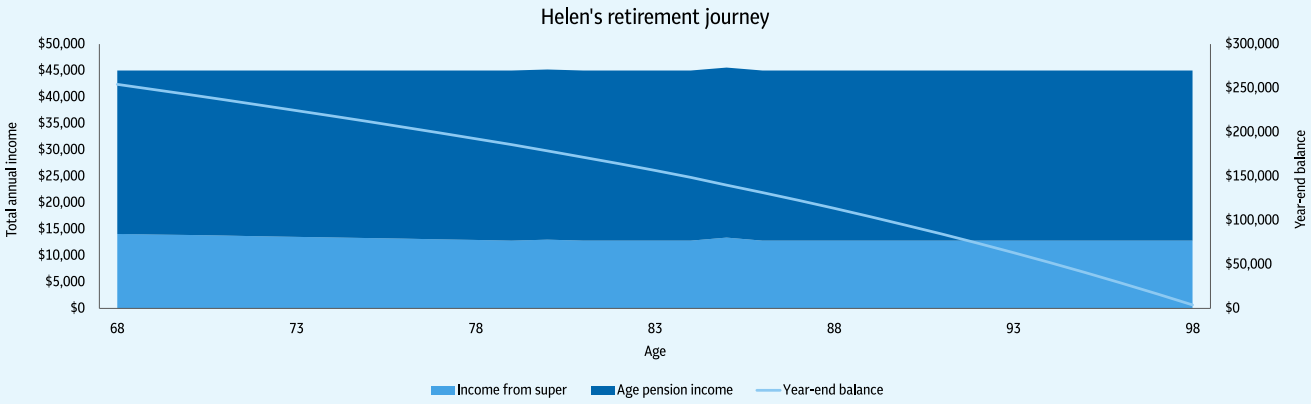
1. **Step 1 (income needed):** Helen determined she needs $45,000 per year ($1,730 per fortnight) to maintain a modest lifestyle and visit her family and friends.
2. **Step 2 (income from outside super):** Under Centrelink's assets test, Helen's assessable assets are $280,000 ($260,000 super plus $20,000 personal items), qualifying her for almost the full age pension of $30,911 in the first year (around $1,189 per fortnight as at 20 September 2026).
3. **Step 3 (income to be funded by super):** This leaves a net income shortfall of $14,089 ($45,000 budget less $30,911 age pension).

The drawdown decision:

Helen's statutory minimum drawdown at age 68 is 5 per cent ($13,000). To cover her shortfall, Helen elects to draw a fixed amount of $14,089 in the first year (or just $1,089 above the required minimum), paid as regular fortnightly payments of approximately $542.

Why it works for her:

Combining her age pension ($1,189 per fortnight) with her fixed pension drawdown ($542 per fortnight) gives Helen a consistent, combined income of around $1,730 every fortnight, meeting her $45,000 annual budget.



Assumptions: Nominal investment return of 6.0% p.a., inflation of 2.5% p.a., figures in today's dollars, Centrelink rates and thresholds applicable 20 September 2026.

Designing your retirement income Continued

Case study 3: An affordable drawdown rate (longevity focus)

Meet David, aged 64, a single homeowner and newly retired.

Pension balance: $750,000 in an account-based pension.

Other assets: $20,000 in personal effects.

His goal: Maximise travel during early retirement, then maintain a comfortable lifestyle without fear of running out of money.

How he calculated his drawdown:

1. **Step 1 (income needed):** David wants a comfortable retirement. He targets a budget of $70,000 each year for his first three active travel years. From age 67 onwards, he plans to align his spending with the ASFA Comfortable Standard of $56,166 per year to maintain a high quality of life.
2. **Step 2 (income from outside super):** David is fully self-funded until age 67, when he reaches the age pension age.
3. **Step 3 (income to be funded by super):**
   - Ages 64 to 66: David's shortfall is $70,000 per year (100 per cent funded by his super).
   - From age 67: His shortfall drops to $46,747 at age 67 ($56,166 ASFA budget less $9,419 estimated partial age pension).

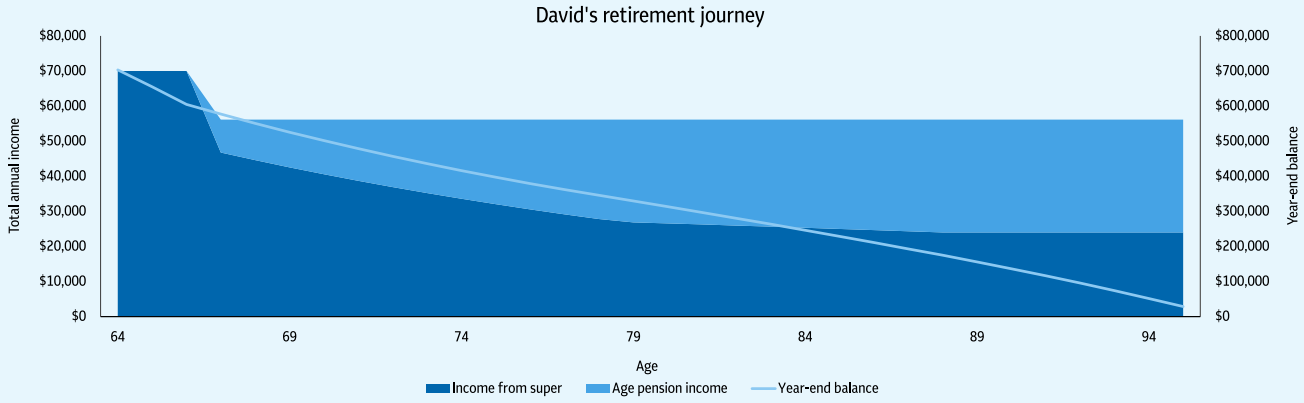
The drawdown decision:

Withdrawing at a flat $70,000 indefinitely would potentially exhaust David's pension balance by age 77. Instead, his adviser implements a two-stage dynamic drawdown:

1. **Stage 1 (ages 64 to 66):** David draws $70,000 per year (9.3 per cent in year one) from his account-based pension.
2. **Stage 2 (from age 67):** At age 67, David's super balance is projected to be approximately $605,000. Combined with $20,000 personal effects, he qualifies for a partial age pension of $9,419 in the first year. His super drawdown reduces to $46,747 (approximately 7.7 per cent of his remaining balance) to meet the ASFA Comfortable Standard. He assesses his drawdown amount every few years to confirm that the rate is sustainable, making small adjustments depending on market conditions to ensure his money lasts.

Why it works for him:

As David ages, his super drawdown rate continues to decline as his age pension entitlement increases, enabling his capital to last to at least age 95 while fully funding his active early travel dreams.



Assumptions: Balanced portfolio returning 6.0% p.a., inflation of 2.5% p.a., ASFA Comfortable Standard applicable June 2026, Centrelink rates applicable September 2026.

Designing your retirement income Continued

Lifetime pensions: Converting your super to an income for life

While account-based pensions give you flexibility, they don't guarantee income for life. A complete retirement plan may incorporate lifetime income products to manage longevity and market risks.

In Australia, lifetime income products broadly fall into two categories: annuities (both fixed and market-linked) and innovative retirement income streams (IRIS).

Income stream type	What is it?	Key advantages	Key disadvantages
Traditional annuities (fixed or indexed)	A contract with a life insurer where you exchange a lump sum of super for a defined, guaranteed income stream for life.	• **Longevity protection:** Payments are guaranteed for life. • **Income certainty:** Know exactly what you will receive. • **No market risk:** Payments are unaffected by market downturns. • **Inflation option:** Payments can be increased annually e.g. in line with changes to the consumer price index (CPI).	• **Capital restrictions:** Limits on the amount that can be withdrawn as a lump sum or paid to your estate if you pass away. • **Lack of investment control:** No ability to select underlying investment options.
Market-linked annuities	A lifetime income stream where your payments are guaranteed to last for life, but the annual payment amount fluctuates based on market performance.	• **Longevity protection:** Payments continue for life • **Growth potential:** Investment exposure gives your income the opportunity to grow faster than CPI over time. • **Investment choice:** Some ability to select underlying asset options.	• **Variable income:** Payments fluctuate based on how your chosen investment mix performs. • **Capital restrictions:** Limits on the amount that can be withdrawn as a lump sum or paid to your estate if you pass away.
Innovative retirement income streams	A lifetime income product designed to deliver higher, market-linked income for life with greater capital flexibility than a traditional annuity.	• **Partial longevity protection:** Delivers market-linked (variable) income for life. • **Investment control:** Ability to tailor underlying investment portfolios.	• **Variable income:** Payments fluctuate based on how your chosen investment mix performs. • **Capital restrictions:** Limits on the amount that can be withdrawn as a lump sum or paid to your estate if you pass away.

Product availability and accessing lifetime income streams

While lifetime income streams are valuable risk-management tools, it's important to note:

- **Product availability through the Macquarie Superannuation Plan:** Lifetime income products (such as traditional annuities, market-linked annuities, and innovative retirement income streams) are not currently available through the Macquarie Superannuation Plan. However, these solutions may be accessed through other superannuation funds or purchased directly from external life insurance and annuity providers.
- **Complexity and the advice requirement:** Because lifetime income streams involve complex rules and restricted capital access, they are typically only available or recommended through a licensed financial adviser. An adviser can help you decide which product(s) are appropriate for your circumstances, taking into account expected investment returns, capital restrictions, fees and the nature of the guarantees offered.

Designing your retirement income Continued

Concessional Centrelink treatment of lifetime income streams

To encourage retirees to secure a guaranteed income for life, the Australian government provides generous Centrelink means-testing concessions for all qualifying lifetime income streams (including traditional lifetime annuities, market-linked lifetime annuities and innovative retirement income streams). The Centrelink assessment of retirement income streams is discussed below.

Integrating the age pension and other income sources

Government age pension and other benefits

Apart from super, there are other potential sources of income that can play a part in helping you achieve the lifestyle you'd like in retirement, such as the government age pension and personal savings and investments.

The age pension provides an indexed, regular income safety net for eligible Australians aged 67 or above. Eligibility is determined by two means tests (with the test that results in the lower pension payment applying):

- **The assets test:** Assesses the net market value of your assessable assets. Assessable assets typically include financial investments and superannuation, your home contents, personal effects and motor vehicle, as well as any property you own (apart from your family home).
- **The income test:** Assesses outside income (e.g. employment, net rent) alongside deemed income from financial assets. Centrelink applies deeming rates to bank accounts, shares and account-based pensions, assuming they earn a set rate of income regardless of actual returns.

The table below outlines how some of the most common types of assets are assessed under the assets and income test. For other asset types not listed below, refer to Services Australia for information on how they're assessed for age pension purposes.

Asset	Assets test	Income test
Principal home (with up to 2 hectares of surrounding land on the same title)	Not assessable	Not assessable
Personal effects, home contents, motor vehicles	Included	Not assessable
Financial investments (e.g. bank accounts, shares, managed funds)	Included	Deemed income included
Real estate (other than principal home)	Included	Net rental income included
Superannuation (accumulation)	Below age pension age: not assessable	Below age pension age: not assessable
	From age pension age: included	From age pension age: deemed income included
Account-based pension (started on or after 1 January 2015)	Included	Deemed income included
Lifetime income streams (started on or after 1 July 2019)	60% of the purchase amount included (reducing to 30% from the later of age 85 and 5 years after commencement)	60% of the gross payments included

Commonwealth seniors health card

If you've reached age pension age but aren't eligible for the age pension because of your assets or income, you may still qualify for the Commonwealth seniors health card (CSHC). Eligibility for the CSHC is based on income, but the income thresholds are more generous than for the age pension. The CSHC can provide substantial savings on prescription medications, healthcare and utility rates.

Designing your retirement income Continued

Supplementing your income through part-time work

If you wish to remain partially active in the workforce, the government's work bonus allows age pension recipients to earn up to $300 per fortnight from employment without that income counting towards the Centrelink income test. Unused amounts accumulate in a work bonus income bank (up to $11,800), meaning you can take on short seasonal or consulting projects without affecting your pension.

Outside investments and personal savings

Income generated from assets held outside superannuation, such as dividends from shares, interest from personal bank accounts or rental income from investment properties, can also help meet your expenses in retirement. Because outside earnings are subject to your individual marginal tax rate, coordinating withdrawals between your non-super assets and your tax-free retirement income stream is an essential tax-planning priority.

Tax arrangements: Your retirement income cashflow

Transitioning to retirement unlocks some of the most generous concessions available under Australian tax law. To manage your cash flow, you must understand how your different sources of income are taxed.

Retirement income streams

Once you move your superannuation from the accumulation phase to the pension phase, you enter a highly tax-advantaged environment:

- **Zero tax on investment earnings:** While standard super accounts pay up to 15% tax on earnings, investment earnings and capital gains within an account-based pension are generally tax-free. This preserves your capital to grow over time.
- **Zero tax on your pension payments (from age 60):** All regular pension payments or lump sum withdrawals you receive are 100% tax-free and don't need to be declared on your annual tax return.

Note for under 60s: If you access your superannuation before age 60, you may need to pay tax on any pension payments or lump sum withdrawals.

Income from other sources

Unlike superannuation retirement income streams, any income you generate outside of super remains subject to personal income tax and marginal tax brackets.

Outside income source	Tax status	Key tax consideration
Government age pension	Taxable	While taxable, many age pensioners pay little or no tax on this income thanks to the Seniors and Pensioners Tax Offset (SAPTO), which elevates the effective tax-free threshold for seniors.
Net rental property income	Taxable	Gross rental income minus allowable property expenses (e.g. rates, interest, repairs). Net income is added directly to your personal taxable income.
Personal investments (dividends, interest, managed funds)	Taxable	Interest and dividends are taxed at your marginal rate. Australian share dividends may carry franking credits, which can directly reduce your tax bill or generate a tax refund.
Employment or consulting	Taxable	Subject to ordinary Pay-As-You-Go (PAYG) withholding tax at your personal marginal rate.

Designing your retirement income Continued

Part 3 action checklist

Use this checklist to track your preparation for this phase:

- ☐ **Gather your consolidated financial data:** Prepare a comprehensive list of your current superannuation balances, and any non-super investments (like shares, term deposits or investment properties).
- ☐ **Calculate taxable income outside super:** List all non-super income (rent, dividends, interest) and calculate the net, after-tax cash flow you receive outside super.
- ☐ **Select your retirement income product mix:** Determine whether a flexible account-based pension meets your goals or if blending an account-based pension with a lifetime annuity or innovative income stream helps secure your essential living costs.
- ☐ **Review your transfer balance cap:** Check your personal transfer balance cap history on the government's myGov online portal and keep total transfers into pension phase within your cap.
- ☐ **Calculate your required drawdown rate:** Determine how much income you'll need to draw from your super and select your drawdown approach.
- ☐ **Establish a short-term cash buffer:** If an account-based pension is part of your strategy, allocating 1 to 2 years of pension payments to cash and defensive assets helps protect your income from short-term market downturns (sequencing risk).
- ☐ **Invest the remainder for the long term:** Keep your remaining pension balance in income-producing and growth assets. This helps your portfolio grow over time to keep up with rising costs (inflation risk) and last throughout your retirement (longevity risk).
- ☐ **Check age pension and concession card eligibility:** Check when you'll meet the age pension age of 67, and provide your adviser with any personal assets data (such as vehicles and home contents values) so they can verify eligibility for the age pension or the Commonwealth seniors health card.

How an adviser can help

Converting your superannuation into an income stream and deciding on an appropriate drawdown strategy is a complex exercise.

A financial adviser can add significant value by:

- **Determining your product mix:** Evaluating your personal needs to design a tailored strategy, such as combining the growth and flexibility of an account-based pension with the security of a lifetime income stream to meet your essential living costs.
- **Managing the transfer balance cap:** Structuring your pension transfers to prevent excess transfer balance penalties.
- **Set up your cash buffer:** Helping you establish and maintain a dedicated cash buffer (1 to 2 years of payments) in secure, defensive holdings. This helps to protect your short-term income from sequencing and market risk.
- **Balance your growth and defensive assets:** Designing a diversified asset allocation, which may include keeping a portion of your wealth in growth investments. This helps to manage inflation and longevity risk, ensuring your pension remains sustainable into your 80s and 90s.
- **Optimising Centrelink entitlements:** Strategically structuring your product mix to help maximise your potential government age pension entitlements. Planning this well can make a significant difference to your retirement income.
- **Conducting annual reviews:** Monitoring your drawdown rates and investment performance over time, ensuring your income stream remains sustainable and continues to meet your evolving lifestyle needs.



04
Protecting your legacy

Protecting your legacy

Retirement is the result of decades of hard work and savings. A complete retirement strategy looks beyond your own needs to ensure that the wealth you leave behind passes to the people you care about.

A complete estate plan has two key parts:

- **Your personal estate:** This is managed by your will, which covers how personal assets (like your home, bank accounts and non-super investments) are distributed after your death. An enduring power of attorney is also a key element of your personal estate plan. Appointing a trusted person to manage your financial affairs and superannuation accounts protects you if you ever lose the cognitive capacity to do so.
- **Your superannuation estate:** This is managed by superannuation law and the rules of your fund. A death benefit nomination tells your super fund how you'd like your super paid out after your death.

Why your super isn't covered by your will

It's a common mistake to think your super is automatically covered by your will. But super isn't a personal asset – it's held in trust for you by the trustee of your fund.

When you pass away, the trustee must pay out your remaining balance (known as a superannuation death benefit) in accordance with superannuation law and the fund's trust deed. Without specific instructions lodged with your fund, your super does not automatically go into your will.

Your will does not automatically cover your super

It's a common mistake to think your super is part of your will, but it isn't. To direct where your super goes, you must make a separate, valid nomination with your super fund.

How to direct your super

Who can receive your super when you pass away?

Under superannuation law, your super can only be paid to an eligible dependant or to your legal personal representative (LPR) to be distributed through your estate. An eligible dependant includes:

- Your spouse
- Your children of any age
- Anyone with whom you have an interdependency relationship (i.e. where you live together, share close personal and financial support, and provide domestic care), or
- A person who is otherwise your dependant (typically this would be someone who was financially dependent on you just before you died).

Check your nomination is valid

For a binding nomination to be valid, you must nominate a legal dependant (like a spouse or child). Nominating someone else, such as a sibling or friend, may make the nomination, or part of the nomination, invalid. The trustee will disregard an invalid nomination and this may prevent your estate planning objectives from being met.

Protecting your legacy Continued

Beneficiary nominations

Many funds allow you to nominate one or more of your dependants or your LPR to receive your superannuation benefits on death via a death benefit nomination. Depending on your fund, you may be able to choose from one of the following types of nominations:

Nomination type	How it works	Legal certainty	Duration / expiry	Best suited for
Non-binding nomination*	Provides a guide to the trustee regarding your preferences.	Low. The trustee has final discretion over who receives your money.	Does not expire but can be updated at any time.	Members who want the trustee to assess beneficiaries' circumstances at the time of death.
Lapsing binding nomination*	Legally compels the trustee to pay your benefit exactly as nominated, provided beneficiaries are eligible dependants.	High. The trustee has no discretion and must follow valid instructions.	Expires every three years. Must be formally remade, signed and witnessed.	Members who want legal certainty but are comfortable reviewing paperwork regularly.
Non-lapsing nomination	Legally compels the trustee to pay your benefit to your nominated eligible beneficiaries without ever lapsing.	High. The trustee has no discretion and must follow valid instructions.	Permanent. Remains valid until you formally revoke or amend it.	Members seeking long-term peace of mind that their wishes can't be overridden or forgotten.
Reversionary beneficiary	Nominated specifically on a retirement income stream. The pension will continue paying regular income to the nominated beneficiary (typically a spouse).	High. The trustee has no discretion and payments are automatically transferred to an eligible nominated beneficiary.	Permanent. Operates for the lifetime of the pension or until changed.	Members of a couple who want an uninterrupted income stream and seamless transition.

*Not offered through the Macquarie Superannuation Plan.

Keep your nomination up to date

Your family structure, wealth, and health will change throughout your retirement, and you shouldn't 'set and forget' your nominations. Regardless of what type of nomination you make, you should review them following major life events, such as:

- **Relationship changes:** Divorce or separation doesn't automatically revoke a binding nomination. Failing to update paperwork may force the trustee to pay benefits to an ex-spouse.
- **Children reaching adulthood:** While minor children are tax dependants, financially independent adult children face tax on super death benefits.
- **Beneficiaries' circumstances:** If a beneficiary experiences bankruptcy, relationship breakdown or disability, redirecting funds through your LPR, for example into a testamentary trust, may prevent assets from being exposed to third-party claims.

Designing your retirement income Continued

How is a death benefit paid?

Death benefits can be paid as a lump sum, an income stream (death benefit pension), or a combination of both. However, superannuation law restricts who can receive a death benefit as a pension.



Eligible for a pension

- Spouse
- Child under 18 years old
- Child 18-24 and financially dependent
- Child of any age with a disability
- Interdependent or financial dependant



Lump sum

- Spouse
- Child of any age
- Interdependent or financial dependant
- Estate/LPR

Consider the tax implications

Special tax rules apply for super benefits paid after you pass away. The tax payable depends on factors such as your age at death, the age of your beneficiaries, how benefits are paid and whether your beneficiaries are dependants under tax law, which is distinct from being a dependant under superannuation law:

Category	Dependant under superannuation law?	Dependant under tax law?
Spouse / de facto partner	Yes	Yes
Child under 18 years old	Yes	Yes
Adult child	Yes	No (unless they meet another dependant definition)
Financial dependant	Yes	Yes
Interdependency relationship	Yes	Yes



Designing your retirement income Continued

Tax treatment: Lump sum versus death benefit pension

Payment structure	Beneficiary type	Age condition	Tax on tax-free component	Maximum tax on taxable component (taxed element)	Maximum tax on taxable component (untaxed element)
Lump sum	**Tax dependant** *(e.g. spouse, child under 18)*	Any age	0%	0%	0%
	Non-tax dependant *(e.g. adult child)*	Any age	0%	15% plus Medicare levy	30% plus Medicare levy

Payment structure	Beneficiary type	Age condition	Tax on tax-free component	Tax on taxable component (taxed element)	Tax on taxable component (untaxed element)
Death benefit pension	**Eligible dependant** (e.g. spouse, minor child)	Deceased or beneficiary is age 60 plus	0%	0%	Marginal rate less 10% tax offset
		Deceased and beneficiary are under age 60	0%	Marginal rate less 15% tax offset	Marginal rate (no offset)

Tax on super death benefits

Super paid as a lump sum to a spouse or a child under 18 is tax-free. However, tax may be payable if your super is paid to an adult, financially independent child. An adviser can help you structure your benefits to minimise this tax.

Aligning your super nomination with your will

It's important to make sure your super nominations and your will tell the same story. If they say different things, it can cause conflict and mean your money doesn't go where you intend. A valid binding super nomination will generally override any contradictory instructions written in your will, potentially leaving your savings to the wrong person.

If your wish to distribute your superannuation in accordance with your will, for example, to pass funds to non-dependent relatives, friends or charities, or to establish testamentary trusts, you must nominate your LPR on your super account. This directs the trustee to pay your super balance directly to your estate, allowing your will to govern the distribution.



Designing your retirement income Continued

Part 4 action checklist

Use this checklist to track your preparation for this phase:

- ☐ **Check existing super nominations:** Log into your super account portal or check your latest member statement to confirm what type of nomination you have in place.
- ☐ **Review your beneficiaries:** Verify that the individuals you have nominated are classified as eligible dependants under superannuation law (such as a spouse, child or a financial dependant) and that you still wish for them to receive your superannuation.
- ☐ **Align your super nomination with your will:** Ensure your will and superannuation nominations tell a consistent, harmonised story. If you want your super to be distributed according to the instructions in your will, confirm you have nominated your LPR.

How an adviser can help

Estate planning within superannuation involves navigating tax laws, trust deeds and family dynamics.

Your financial adviser can work alongside your estate planning solicitor to:

- **Set up and review your death benefit nominations:** Helping you select and implement the correct nomination structure (such as a non-lapsing binding nomination or a reversionary pension) so your wishes can't be overridden. Your adviser can also regularly review these nominations with you, ensuring they are updated following any changes in your circumstances like marriage, divorce or children reaching adulthood.
- **Structuring your superannuation benefits to minimise tax:** Your adviser can implement strategic solutions to help minimise the tax payable on death benefits paid to non-dependents for tax purposes e.g. adult children.
- **Harmonise your broader estate:** Ensuring your super nominations and will function together seamlessly to avoid costly legal disputes.





05
Taking the next steps

Taking the next steps

The retirement timeline: Your master checklist

Retirement is a journey, not a destination. This timeline outlines the key steps to take as you get closer to retirement and in your first few years as a retiree:

Phase 1: 12 to 18 months before retirement

This is your final opportunity to maximise your super contributions and clear personal liabilities while you still have a steady employment income.

- [ ] **Map out your target retirement lifestyle and budget:** Write down your retirement goals and calculate your estimated annual living expenses, breaking it down into your 'essential needs' and 'lifestyle wants'.
- [ ] **Estimate your retirement timeframe:** Identify your preferred retirement age and whether you want to stop working completely or step down gradually.
- [ ] **Check your current position:** Review your latest super statement to check your balance and make a list of your non-super investments like savings, shares, managed funds and investment properties.
- [ ] **Run a retirement projection:** Use an online tool such as the Moneysmart Retirement Planner to project whether your financial position is on track to deliver your required retirement income.
- [ ] **Identify your condition of release:** Check your age against the conditions of release to verify when you are likely to be able to access your superannuation.
- [ ] **Check your contribution limits and maximise super contributions:** Check your myGov account for your total superannuation balance and remaining contribution cap space. Speak to your adviser about the different contribution opportunities available to boost your superannuation balance in the lead up to retirement.
- [ ] **Explore a transition to retirement strategy:** If you want to reduce your working hours or simply boost your super tax-effectively, ask your adviser if a TTR pension is appropriate.
- [ ] **Address personal debt and near-term capital expenses:** Consider paying down high-cost personal debts and budget for upcoming major expenses, so they don't impact your retirement capital.
- [ ] **Set or refine your retirement plan and investment strategy:** Speak with a financial adviser to test your goals and budget are achievable, review your investment strategy, and discuss ways to contribute to your super before retirement.
- [ ] **Review your estate planning arrangements:** Ensure your super nominations and will function together.

Taking the next steps Continued



Phase 2: 6 months before retirement

This is where you and your financial adviser start building your retirement pay cheque.

- ☐ **Book a retirement planning consultation:** Partner with your financial adviser to initiate the planning process. This ensures you have plenty of time to explore strategies, prepare documentation and implement structures before your final day of work.
- ☐ **Gather your consolidated financial data:** Prepare a comprehensive list of your current superannuation balances, any non-super investments (like shares, term deposits or investment properties) to bring to your adviser.
- ☐ **Provide your estimated lifestyle budget:** Give your target retirement budget and details of any reliable external income (like rent, dividends or interest) to your adviser. Your adviser can use this data to model and test your likely net income needs across multiple market scenarios.
- ☐ **Review your transfer balance cap:** Log into the government's myGov portal to retrieve your personal TBC history. Providing this to your adviser allows them to calculate exactly how much cap space you have available to start tax-free pensions.
- ☐ **Check age pension and concession card eligibility:** Check when you'll meet the age pension age of 67, and provide your adviser with any personal assets data (such as vehicles and home contents values) so they can verify eligibility for the age pension or the Commonwealth seniors health card.



Phase 3: At retirement

This is the action stage where your retirement portfolio is officially constructed.

- ☐ **Select your retirement income product mix:** Work with your adviser to convert your superannuation into a retirement income stream, keeping your total transfer value within your personal TBC.
- ☐ **Set your pension drawdown schedule:** Confirm your chosen payment frequency (e.g. fortnightly or monthly 'pay cheques') and align your drawdown amount with your target budget.
- ☐ **Structure your cash buffer:** If an account-based pension is part of your strategy, work with your adviser to allocate 1 to 2 years of pension payments to a defensive cash buffer.
- ☐ **Refine your asset allocation:** Work with your adviser to split your remaining account-based pension balance into medium-term (income-producing) and long-term (growth-focused) assets, ensuring you maintain enough expected growth to manage inflation and longevity risk over a 20 plus year retirement.
- ☐ **Implement death benefit nominations:** Put in place death benefit nominations to ensure your super passes according to your wishes.

Taking the next steps Continued

Phase 4: Review regularly in retirement

Ongoing monitoring is key to keeping your plan sustainable and responding to shifting needs, market conditions and regulations.

- ☐ **Review your drawdown sustainability:** Meet with your adviser regularly to review your investment portfolio and performance, monitor your super balance, and adjust your pension drawdown rate if needed.
- ☐ **Rebalance your portfolio and cash buffer:** Work with your adviser to rebalance your growth and defensive allocations, and consider topping up your cash buffer if needed to cover your next 1 to 2 years of payments.
- ☐ **Recalibrate for Centrelink changes:** Ensure your asset and income valuations are updated with Centrelink and assess whether you are eligible for a full or part age pension as your super assets naturally deplete.
- ☐ **Review your death benefit nominations:** Confirm that your nominations remain valid and reflect your current family circumstances.

Conclusion

Retirement is not a single financial event, it's a multi-decade journey that evolves alongside changes in your health, lifestyle, financial markets and legislation. Shifting your mindset from saving to drawing an income is a big transition.

Successfully transitioning into retirement rests on four pillars:

Lifestyle clarity

Knowing what retirement means to you and budgeting for your changing needs.

Cash-flow precision

Structuring a dependable income to replace your salary.

Your product and investment mix

Choosing the right retirement income products for your needs and having a diversified investment strategy to protect your savings from market ups and downs.

Estate certainty

Ensuring your will and super nominations work together to protect your legacy.

While self-modelling helps build understanding, the rules around super, tax, Centrelink and estates are complex.

Partnering with a licensed financial adviser ensures your retirement strategy is tailored to your personal goals, tested against market volatility, and structured to support the lifestyle you've spent a lifetime earning.

Glossary of key terms

Account-based pension (ABP): A flexible, tax-effective retirement income stream started with your superannuation savings. You can select your payment frequency and drawdown amount, subject to a statutory annual minimum percentage.

Accumulation phase: The phase of superannuation where you and your employers make contributions to grow and invest your wealth before retirement. Investment earnings in accumulation are taxed at up to 15%.

Affordable drawdown rate: An analytically calculated spending rate that balances lifestyle consumption today against investment returns, inflation and life expectancy to ensure your savings last throughout your lifetime.

Age pension: A fortnightly income support payment provided by the Australian government for eligible residents who have reached age pension age (currently 67) and meet Centrelink means test (Income and Assets tests).

Annuity: A contract with a life insurance company where you exchange a lump sum of capital for guaranteed regular income payments for life or for an agreed fixed term.

ASFA Retirement Standard: A quarterly benchmark published by the Association of Superannuation Funds of Australia estimating the annual budget required for single retirees and couples to fund a 'modest' or 'comfortable' lifestyle.

Assets test: One of the two means tests used by Centrelink to determine age pension eligibility, based on the total net market value of your assessable assets (excluding your primary residence).

Bring-forward rule: A rule allowing eligible individuals under certain total superannuation balance thresholds to bring forward up to two future years of their non-concessional contributions cap.

Carry-forward concessional contributions: A rule permitting individuals with a total superannuation balance under $500,000 on 30 June of the prior year to access unused concessional cap amounts from the previous five financial years.

Cash buffer ('bucket strategy'): A risk-management strategy where 1 to 2 years of living expenses are held in liquid cash or short-term defensive assets within your pension account to pay living costs during market downturns without selling growth assets.

Commonwealth seniors health card (CSHC): A concession card providing discounted prescription medicines and medical services for self-funded retirees who meet age pension age and an income test, but do not qualify for the age pension due to their assets or income.

Commutation: The process of converting an ongoing retirement income stream (pension) back into a lump sum of capital, either to withdraw as cash or transfer back into accumulation.

Concessional contributions: Pre-tax contributions into superannuation, including employer Superannuation Guarantee (SG), salary sacrifice, and personal contributions claimed as an income tax deduction. Concessional contributions are taxed at 15% inside the fund (plus Division 293 tax for high earners).

Condition of release: A legislative event required under superannuation law to unlock preserved super benefits, such as turning 65, permanently retiring after preservation age or ending an employment arrangement after age 60.

Deeming rules: A set of standard interest rates applied by Centrelink to your financial investments (such as bank accounts, shares and account-based pensions) to calculate assumed income for the Centrelink Income Test, irrespective of the actual returns earned.

Division 293 tax: An additional 15 per cent tax levied on concessional super contributions made for individuals whose combined taxable income and concessional super contributions exceed $250,000.

Downsizer contribution: A rule allowing eligible individuals aged 55 and older to contribute up to $300,000 ($600,000 per couple) from the proceeds of selling an eligible principal home into superannuation, without counting towards standard contribution caps.

Enduring power of attorney (EPOA): A legal instrument appointing a trusted person to make legal and financial decisions on your behalf if you lose cognitive capacity during your lifetime.

Income test: One of the two means tests used by Centrelink to determine age pension entitlements, assessing gross income received from employment, investments (via deeming) and external pensions.

Inflation risk: The risk that the rising cost of goods and services over time will erode the purchasing power of your retirement savings and income stream.

Innovative retirement income stream (IRIS): A modern lifetime income product that uses collective mortality pooling to deliver market-linked lifetime income alongside generous Centrelink means-testing discounts.

Interdependency relationship: A relationship between two individuals who have a close personal relationship, live together and provide each other with financial, personal and domestic care. Recognised under superannuation law as an eligible dependant.

Glossary of key terms Continued

Legal personal representative (LPR): The executor named in a Will or the court-appointed administrator of an estate. Nominating an LPR on your superannuation directs benefits into your estate to be governed by your Will.

Longevity risk: The risk of outliving your accumulated retirement savings.

Market-linked annuity: A lifetime income stream that provides guaranteed payments for life, but where the dollar value of the payments fluctuates annually based on the performance of underlying investment options.

Mortality pooling: An actuarial mechanism utilised by lifetime products where the residual capital of members who pass away early remains in the collective pool to fund the higher, ongoing income of surviving members.

Non-binding nomination: A nomination that indicates your preferred beneficiaries to the super trustee, but leaves the trustee with final legal discretion regarding how and to whom benefits are paid.

Non-concessional contributions: After-tax contributions made into superannuation from personal savings that are not claimed as a tax deduction. These contributions are not taxed when they enter the super fund.

Preservation age: The minimum age set by law (currently age 60 for all Australians born after 1 July 1964) at which you can access preserved superannuation benefits once an appropriate condition of release is met.

Reversionary beneficiary: The person you've nominated on your account-based pension (usually a spouse) to receive regular pension payments from your remaining pension balance after you've passed away.

Seniors and Pensioners Tax Offset (SAPTO): A tax offset available to eligible individuals who meet age pension age criteria, effectively raising the personal tax-free threshold and reducing or eliminating tax on modest incomes.

Sequencing risk: The danger that negative investment returns occur early in your retirement when your account balance is at its peak and you are drawing down capital, causing lasting depletion of your portfolio.

Statutory minimum drawdown: The minimum percentage of your account-based pension balance that you are legally required to withdraw each financial year, calculated based on your age on 1 July, or age at the start of your pension for account-based pensions started during a financial year.

Superannuation dependant: Under the Superannuation Industry (Supervision) Act 1993, an eligible person who can receive a death benefit directly from the super trustee (spouse, child of any age, financial dependant or interdependent). Distinct from a tax dependant, who can receive benefits tax-free.

Testamentary trust: A trust created inside a Will that only comes into existence upon your passing.

Total superannuation balance (TSB): The total value of all your superannuation accumulation and pension accounts across all funds, calculated annually at 30 June. Used to determine eligibility for bring-forward non-concessional caps, carry-forward concessional caps, and co-contributions.

Transfer balance cap (TBC): The lifetime limit on the total amount of superannuation that can be transferred into the tax-free retirement pension phase.

Transition-to-retirement (TTR) pension: A restricted pension account allowing individuals who have reached age 60 to access between 4 and 10 per cent of their super balance each year while still employed, enabling a phased reduction in working hours or tax-effective salary packaging.

Work bonus: A Centrelink concession allowing age pension recipients to earn up to $300 per fortnight from employment without that income counting towards the Centrelink income test.

Contacting us

For queries relating to your account and investments, we recommend speaking to your financial adviser. To contact us, please see the following information.



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