

Temporary Reduction of Pension Minimum Drawdown Rates



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UPDATED: 2ND APRIL 2020

| | |
|-------------------|------------------------------------|
| Date | 2019-20 and 2020-21 |
| Applies to | Account-based and similar pensions |

Eligibility

Individuals with account-based, allocated pensions, and market linked pensions.

How is the support calculated?

| Age | Default minimum drawdown rates (%) | Reduced rates by 50% for 2019-20 and 2020-21 (%) |
|------------|------------------------------------|--|
| Under 65 | 4 | 2 |
| 65-74 | 5 | 2.5 |
| 75-79 | 6 | 3 |
| 80-84 | 7 | 3.5 |
| 85-89 | 9 | 4.5 |
| 90-94 | 11 | 5.5 |
| 95 or more | 14 | 7 |

The minimum drawdown requirements for account-based pensions and similar products will be reduced by 50% in 2019-20 and 2020-21.

These are minimum drawdown rates and there is no requirement to reduce pension amounts.

If you have already drawn down more than the required minimum, note that any deposits into the fund will be treated as a contribution and the normal contribution rules will apply, including the work test.

The way your drawdowns are taxed will remain the same.

How is the support provided?

The reduction in the minimum draw down rates is automatic.

Example

Mike is 66 years old and he has an account-based pension with a value of \$200,000 at 1 July 2019.

Under the previous minimum drawdown requirements, Mike was required to drawdown 5% of his account balance over the course of the 2019-20 and 2020-21. This would have meant that Mike had to drawdown \$10,000 by 30 June 2020 to comply with the minimum drawdown requirements.

Under the coronavirus measures, Mike is now only required to drawdown 2.5 % of his account balance, that is, \$5,000 by 30 June 2020. If Mike has already drawn down over \$5,000 for 2019-20, he is not able to put the amount above \$5,000 back into his superannuation account.

On 1 July 2020 the value of Mike's account-based pension is \$180,000 (after drawdowns and investment losses). During 2020-21, Mike is required to drawdown \$4,500 (2.5% of his account balance).

| Mike | 1 July account-based pension balance | Minimum drawdown before measures | Minimum drawdown after measures |
|---------|--------------------------------------|----------------------------------|---------------------------------|
| 2019-20 | \$200,000 | \$10,000 (5%) | \$5,000 (2.5%) |
| 2020-21 | \$180,000 | \$9,000 (5%) | \$4,500 (2.5%) |

Adapted from Treasury: Providing support for retirees

We will continue to update this document and links as announcements are made. Please see our [website](#).

Please **contact us** to discuss how these initiatives can support you and your business.

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