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YOUR QUESTIONS JOHN WASILIEV

Only those who pay tax have access to bonus

My question concerns the coming $900 government bonus payment. I'm a single female retiree, age 63, who will become eligible for a part government age pension from mid-May. I've been living off DIY super savings that have fallen in value by 50 per cent in the market turmoil. My super income is tax-free and because I'm not yet a government age-pensioner, it seems I won't be entitled to the government's bonus payment. I didn't get the $1400 bonus that was paid last year. Is there anything I can do?

Unfortunately, this is a bitter pill that you must swallow, says technical adviser Graeme Colley of Super Concepts.

There are many parts to the federal government's stimulus package that are wide-reaching, but they do not appear to include your circumstances.

An essential requirement to qualifying for the bonus is having some taxable income that results in a tax liability.

The maximum bonus of $900 is payable to those with taxable income of less than $80,000 in the 2007-08 income tax year.

Because your super pension is tax-free as you are over 60, this will unfortunately exclude you. Colley says there are sure to be a number of self-funded retirees in the same position, so you could contact Treasurer Wayne Swan, either in writing or via his website, pointing out your concerns about the apparent inequity of the bonus payment and the need to extend it to others who are just as severely affected by the economic downturn.

You can also contact your local federal member of parliament as well as organisations that represent the interests of self-funded retirees.

My wife, who is already 60, and I are planning to start pensions from our self-managed super fund when I turn 60 in September. Do we need to have our fund valued by an actuary before we start our pensions given we each have identical interests and will both be moving to the pension on the same day? Would this be different if we started our pensions at June 30, 2010? Are there any advantages to segregating assets in the fund?

You don't need an actuarial assessment of your fund to start a pension, says actuary Meg Heffron of super administrator Heffron Consulting. Actuarial involvement is only needed at the end of the year to work out how much of the fund's investment income is tax exempt, which it will be from the time you start the pensions.

Beyond this, it will only be needed in your case if you make contributions after you start your pensions and you don't "segregate" (or separate) these saving balances from your pension balances.

Different super administrators have different views on segregating assets. Some firms take the view that it is best to segregate accumulation balances from pension balances to avoid the need for an actuarial certificate.

But bear in mind this doesn't mean you have to separate your pension balances from each other.

I am over 65, working part-time and my super is still accumulating. Can you please explain how any lump-sum withdrawals will be taxed? My super is made up of both taxed and tax-free amounts. How will the withdrawals affect them? Does the $145,000 withdrawal entitlement apply if a member is over 65 years of age?

As you are over 65, says Ed Bernard, a technical adviser with SuperGuardian, any lump sum withdrawal from your super will be tax free. This will be the case regardless of the division of taxable and tax-free components in your account.

The entitlement to withdraw $145,000 tax free from the taxable component of a fund only applies to those under the age of 60 who are eligible to make a withdraw[al] generally because they have already retired.

Although the taxable and tax-free components do not affect yo[ur] tax position when you take a lu[mp] sum at your age, they still need be accounted for and reconciled the super fund's accounts.

When a fund is in the accumulation phase, any withdrawal must be accounted for in the proportions that make up the taxable and tax-free components.

At the same time, any change your account balance which is attributed to investment income, capital growth and expenses is allocated to the taxable component, meaning your tax-fr[ee] component can over time declin[e] as a proportion of your overall balance. This is not the case in [the] pension phase where all movements in your member balance are allocated proportionately across the taxab[le] and tax-free components.

This is relevant because if the[re] is any taxable super in your account on your death, this will [be] taxable if inherited by beneficiaries who are not entitle[d] to a tax-free amount.

ASK US

It is critical to get your superannuation right.
Many readers send us questions about retirement saving and more are welcome. We seek expert advice where necessary to help make sense of it all. Send any query, big or small to:
wasiliev@yoursuper.net

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