The Women's Investment Club
MENTORING FOR EASY INVESTING

## The Key Phases of Superannuation

There are two distinct phases of superannuation that can be broadly defined as the accumulation phase and pension phase.

### *ACCUMULATION PHASE*

Accumulation phase is the most common type of superannuation fund. It is that period when they operate as a simple account that is held in your name (but typically administered by another entity) and the growth of your account depends on the amount of contributions that you place into the account plus the growth of those contributions then less any taxes and fees or potential negative returns on your investment. The defining characteristic of the accumulation phase is that all contributions are essentially 'locked away' or preserved until the retirement of the member.

The preservation of funds is typically what steers many investors away from superannuation as an investment structure as you cannot have ready access to funds however this can often be one of the most attractive features of superannuation as it forces individuals avoid spending the funds and allowing it to grow and add to their total balance to fund their retirement.

### *PENSION PHASE*

This period of superannuation is when an individual reaches their preservation age (which is currently 55 years of age) and uses those superannuation funds held in their account (currently in accumulation phase) to purchase an allocated pension which is an account that pays an income stream to its owner. There are two typical types of income streams that can be paid to the owner which are;

Non Commutable Income Stream. This is where the income stream or the pension has commenced while the member is still working and is aged between 55 and 65. The key defining characteristic of this type of pension is that any income payments must be made between the minimum and maximum allowable levels

Standard Allocated Pension: This type of income stream is applied when the individual is aged 55 or older and no longer working or alternatively when the individual is 65 years old or more regardless of whether or not he/she is working.

The key benefit if the allocated pension is the tax treatment of it. In brief while any funds are held inside the allocated pension regardless of which one, there is no tax on any of the earnings of the investments. Once the individual is over the age of 60 the current rules do not see any tax paid on any of the actual income payments out of the pension either (please note that there is tax payable for pension payments under the age of 60 depending on the size of the taxable component of the fund).

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