

Rhythm Super

Issued: 1 December 2021

Rhythm Super Product Update

This Product Update is to be read in conjunction with the Rhythm Super Product Disclosure Statement dated 7 June 2021. You can request a paper copy of the updated information free of charge by contacting us.

Rhythm Super – Term Allocated Pension

Rhythm Super – Term Allocated Pension is closed to new investment. This Product Update is for members who transferred into Rhythm Super from the AvWrap Retirement Service – Term Allocated Pension only.

A Rhythm Super – Term Allocated Pension is designed to provide you with pension payments each year for a fixed term. Pension payments will cease when your pension account balance or term is exhausted. If you have received this Rhythm Super – Term Allocated Pension as the Reversionary Beneficiary of a deceased member, the pension will continue for the remainder of the term of the original pension if the original term of the pension was set based on the reversionary's life expectancy at commencement.

Your account balance depends on withdrawals (where permitted) and the amount of pension payments, as well as investment earnings which may rise or fall. For those aged 60 or more, your pension payments will be tax-free unless you receive more than \$100,000 in total pension payments from capped defined benefit interests.

How long will my Rhythm Super – Term Allocated Pension last?

Your pension term does not change in Rhythm Super. This means your Rhythm Super – Term Allocated Pension will continue for the remainder of the term you originally selected (or earlier if the funds in your account are exhausted).

How is your annual pension calculated?

Super law specifies the rules for calculating your annual pension payment. The annual pension payments are calculated by dividing your account balance on 1 July each year by the Pension Payment Factor (PPF) that relates to the remaining term of your pension. The remaining term must be a whole number and must be rounded:

- down if your original pension commenced in the first half of a financial year (between 1 July and 31 December)
- up if your pension commenced in the second half of the financial year (between 1 January and 30 June).

Pension payment amounts will be rounded to the nearest \$10.

The following table shows the payment factors for members according to the product's remaining term at purchase, or on 1 July each year.

Terms (years)	Payment factor	Terms (years)	Payment factor
70 or more	26.00	35	20.00
69	25.91	34	19.70
68	25.82	33	19.39
67	25.72	32	19.07
66	25.62	31	18.74
65	25.52	30	18.39
64	25.41	29	18.04
63	25.30	28	17.67
62	25.19	27	17.29
61	25.07	26	16.89
60	24.94	25	16.48
59	24.82	24	16.06
58	24.69	23	15.62
57	24.55	22	15.17
56	24.41	21	14.70
55	24.26	20	14.21
54	24.11	19	13.71
53	23.96	18	13.19
52	23.80	17	12.65

Terms (years)	Payment factor	Terms (years)	Payment factor
51	23.63	16	12.09
50	23.46	15	11.52
49	23.28	14	10.92
48	23.09	13	10.30
47	22.90	12	9.66
46	22.70	11	9.00
45	22.50	10	8.32
44	22.28	9	7.61
43	22.06	8	6.87
42	21.83	7	6.11
41	21.60	6	5.33
40	21.36	5	4.52
39	21.10	4	3.67
38	20.84	3	2.80
37	20.57	2	1.90
36	20.29	1 or less	1.00

Source: Superannuation Industry (Supervision) Regulations 1994.

Minimum and maximum payment requirements

The payment options available include:

- 90 per cent of the fixed pension payment (the minimum pension)¹
- the fixed pension payment
- 110 per cent of the fixed pension payment (the maximum pension).

You can vary your pension payments on an annual basis based on the limits above.

Can a lump sum withdrawal be made?

You cannot make a full or partial cash lump sum withdrawal from your pension account except in the following limited circumstances:

- to give effect to a Release Authority under the Income Tax Assessment Act 1997
- to give effect to a payment split under the Family Law Act 1975
- upon your death (except, in certain circumstances where you have nominated your spouse as a Reversionary Beneficiary).

You can, however, choose to roll over your pension to another super fund to purchase another term allocated pension or other complying income stream. If a lump sum withdrawal is made under one of the limited circumstances outlined above, the investment drawdown strategy nominated (or the default drawdown strategy) will be used to identify the investment option(s) that should be redeemed (if required) to pay any withdrawals when your request is not accompanied by a specific withdrawal instruction. Alternatively, a withdrawal can be redeemed from the investment option(s) you specify.

Tax

This section provides you with some general information about the tax implications of investing in a Rhythm Super – Term Allocated Pension. The laws relating to super, including tax laws, are complex and subject to change from time to time. We recommend that you obtain professional tax advice.

Tax on pension earnings

No tax is payable on your investment earnings (interest, income distributions or realised capital gains). Plus, as your pension investments are held within a tax exempt environment, no CGT applies if you choose to switch your investments or redeem any investments to provide for pension payments. Your pension account may be entitled to a tax refund due to franking credits. A franking credit is a tax credit available to the Fund for the tax that has already been paid by the issuing company on dividends received.

Transfer balance cap

The Government sets a cap (the transfer balance cap) on the total amount of pension benefits that can transfer to a tax-free investment environment. This cap is currently at \$1.7 million². Retirement phase and Death benefit pension accounts are assessed against the transfer balance cap on pension commencement. If your original pension was a capped defined benefit pension, your Rhythm Super-Term Allocated Pension will also be treated as a capped defined benefit income stream under the Transfer balance cap.

Reversionary pensions are assessed 12 months from the date of death on the account balance as at the date of death.

Tax on pension payments

For those aged 60 or over, all pension payments from your Rhythm Super – Term Allocated Pension account will be tax-free. However, if you receive more than \$106,250 (the transfer balance cap of \$1,700,000 at 1 July 2021, divided by 16) across all your 'capped defined benefit income streams' such as term allocated pensions, complying lifetime income streams or defined benefit income streams, you may have a portion of the income in excess of \$106,250 included in your assessable income. We will send you a PAYG Payment Summary each year, even though no PAYG withholding will apply to your Term Allocated Pension.

Death benefits

Lump sum death benefits

If the payment is made directly to your Death Benefits Dependents (a spouse, interdependent, child under 18 or a person wholly or partially financially dependent on you) it will be tax-free. If the benefit is paid to your Legal Personal Representative and is to be distributed to your Death Benefits Dependents via your estate, the benefit received will also be tax-free. We will not apply any PAYG withholding on any death benefit lump sum paid to your Estate.

If the lump sum benefit is to be paid direct to a beneficiary who is not a Death Benefits Dependant or paid to your Legal Personal Representative and the ultimate beneficiaries of your estate are not

1 If you have selected the minimum pension for the financial year, you will receive the reduced minimum pension rate for the remainder of the 2021/22 financial year.

2 The transfer balance cap is indexed to CPI in \$100,000 increments. If a member has already had pension benefits assessed against the cap, indexation will only apply to that proportion of the cap that is yet to be used.

Death Benefits Dependants, the taxable component of the death benefit will be taxed at the rate of 15 per cent (plus Medicare Levy³).

If your Death Benefits Dependant is entitled to receive a death benefit pension, they may choose to roll over the lump sum to commence a new Death benefit pension.

Reversionary pensions and Death benefits pensions

A Reversionary pension or new Death benefit pension is tax-free if either the deceased pensioner or the beneficiary is aged 60 or over. For current pensioners aged 60 or more, this means that the pension continues to be tax free on transfer to the nominated reversionary beneficiary (regardless of age).

If the original pension was commenced with a term based on the reversionary beneficiary's life expectancy, the reversionary beneficiary must continue to receive the existing term allocated pension for the remaining term, and cannot commute this income stream. Otherwise, the reversionary beneficiary can commence a new standard Rhythm Super account-based death pension and access the capital within the new pension.

If there is no reversionary beneficiary, but the death benefit is paid to a spouse or child under 18, the beneficiary can choose to commence a new death benefit pension as a standard Rhythm Pension. Alternatively, the beneficiary can arrange for the death benefit to be rolled over to another pension provider to start an alternative death benefit pension. Lump sum withdrawals from a reversionary term allocated pension (if allowable) or standard death benefit pensions are tax-free. Pensions paid to dependent children must be commuted to a tax-free lump sum benefit once the child ceases to be eligible to receive a Reversionary or Death benefit pension, which is age 25 unless the child has a disability.

³ Medicare Levy does not apply to your Legal Personal Representative and the ultimate beneficiaries of your estate who receive the lump sum benefit.