



# Retirement income

February 2026

One of the most effective ways to provide some or all of your required level of income in retirement may be via a regular retirement income stream such as an account-based pension or an annuity. Some retirees may also be eligible for an Age Pension or other benefits from the Australian Government. It's important to understand how all these options work to determine the solution that is right for you.

## Will I have enough to retire?

With improved life expectancy and advances in medical science, Australians can look forward to a much longer and more active retirement than past generations. A male retiring at age 65 is likely to spend around 23 years in retirement and a female 25 years.<sup>1</sup> Enjoying a long and happy retirement, however, may cost more than you think. According to the Association of Superannuation Funds of Australia (ASFA) Retirement Standard (released December 2025), the following annual income and lump sum balances are required to fund a *comfortable* retirement lifestyle for Australians aged around 65–84 who own their home:

	Income required for comfortable retirement <sup>2</sup>	Lump sum required <sup>3</sup>
Single	\$54,240 pa	\$595,000
Couple (combined)	\$76,505 pa	\$690,000

Your financial adviser can help you see how you are tracking by determining your future income potential, projecting your final savings at retirement, and taking you through your options.

## Transition to retirement – flexibility and choice

Before you retire you may have the option to 'transition to retirement' (TTR). This means you can reduce your work hours and supplement your income with potentially tax-effective withdrawals from your super through a transition to retirement income stream. Your financial adviser can help outline your choices and the impact that starting a transition to retirement income stream may have for your super balance at retirement.

## How do I access an income in retirement?

As well as any Age Pension you may be entitled to, or non-super investments such as properties that you may choose to retain and receive income from (e.g. rent), the most common way to provide for your required level of

retirement income is with one or more regular retirement income streams. These include:

- Account-based (allocated) pensions – these can only be purchased with your super savings
- Lifetime or term annuities – these can be purchased with either your super or non-super savings.

In some cases, the best way to provide for your retirement income could be to combine an account-based pension and an annuity.

## What are account-based pensions and annuities?

An account-based pension lets you draw regular flexible pension payments from your super balance. Your pension account balance is adjusted in line with market movements, investment returns, pension payments, lump sum withdrawals and fees.

An annuity generally involves swapping some of your retirement savings for a guaranteed income stream payable over a specified period or life. The two main types of annuities are:

- Fixed term annuities which pay a guaranteed income for a defined period of time e.g. 1, 2, 20 years etc
- Lifetime annuities which pay a guaranteed income for the remainder of your life.

By guaranteeing your future income payments regardless of the underlying performance, the annuity provider effectively carries all the investment risk. They also offer flexible ownership options and indexing to protect against inflation. The trade-off for an investor is you generally have no choice of investments, limited ability to make withdrawals and can't change your income once the annuity has commenced.

Recently annuity providers have brought to market a range of market-linked lifetime annuities that combine the benefit of income payable for life, but, rather than guaranteed payments, payments that are linked to changes in investment markets.

A summary of the key features of account-based pension and annuities is as follows:

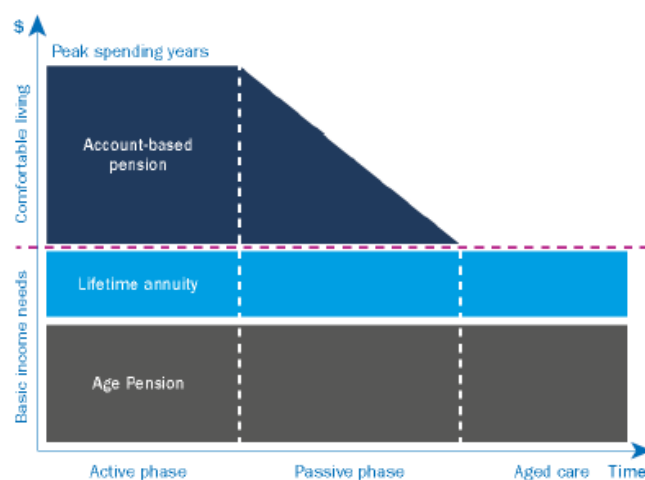
### Combining retirement income streams

The right mix of retirement income streams will depend on your individual needs and circumstances, which might include:

	Account-based pensions	Guaranteed annuities	Market-linked annuities
Guaranteed income	No	Yes	No
Choice of investments	Yes	No	Yes
Ability to vary income	Yes – above a set minimum	No	No. Income will vary based on market performance
Access to capital	Yes	Yes – for fixed term annuities. Yes – for lifetime annuities within the withdrawal period.	Yes - within the withdrawal period
Guaranteed term	No	Yes – either lifetime or a chosen fixed term.	Yes - lifetime
Purchase with non-superannuation savings	No	Yes	Yes
Death benefit payable	Yes – of the remaining account balance	Fixed term – yes, a lump sum or continuing annuity payments. Lifetime – yes, if death occurs within the withdrawal period.	Yes, if death occurs within the withdrawal period.

- Your fixed and variable income needs in retirement
- Whether you will need to access some of your retirement savings as a lump sum in the future
- How important qualifying for social security benefits such as the Age Pension is to you
- Your estate planning needs, including whether you want to leave an inheritance to your dependants in the future
- Your tolerance for risk when investing.

For example, you could consider using a lifetime annuity to provide enough guaranteed income (along with any Age Pension you're entitled to) to allow you to meet your fixed income needs in retirement, while using flexible payments from an account-based pension to meet your additional non-essential spending needs – as shown in the following graph.



Your financial adviser can help you decide the mix of income streams that best suits your circumstances.

### How are account-based pensions and annuities taxed?<sup>4</sup>

If you commence a retirement phase account-based pension with super savings, earnings on assets supporting the income stream are tax free, compared to the accumulation phase of super where earnings are taxed at up to 15%.

The taxation of payments you receive from a retirement phase account-based pension or annuity is as follows:

- From preservation age to 59 – income received is assessable and taxed at your marginal tax rate. Part of each payment may be tax-free and you may qualify for a 15% tax offset on the taxable component which means you may end up paying little or no tax on your income. Lump sum withdrawals (where possible) may also be taxed, part of the withdrawal may be tax-free and the remainder taxed at a maximum rate of 15% plus the Medicare levy.
- Age 60 or above – any income and lump sum withdrawals received are tax-free.

Income payments from annuities purchased with non-super savings are assessable and taxed at your marginal tax rate. However, part of your payment,

generally equal to the return of your original investment over time, will be tax-free.

If you receive income from one or more 'capped defined benefit income streams', additional tax will apply to part of some payments you receive over \$125,000 (2025/26) during a financial year. Capped defined benefit income streams include:

- certain lifetime pensions commenced at any time, and
- certain lifetime annuities, term pensions and annuities, and term allocated pensions, commenced before 1 July 2017.

### Transfer balance cap

A \$2 million (2025/26) 'transfer balance cap' applies to limit the total amount of superannuation savings you can use to commence retirement phase income streams. The Government tracks the commencing value of all your retirement phase income streams in your 'transfer balance account'. Extra tax may apply if your transfer balance account exceeds the \$2 million (2025/26) transfer balance cap, and you will generally have to move the excess back to the accumulation phase of super or withdraw it from the super system.

Retirement phase income streams include account-based pensions, and most other superannuation income streams including annuities, but generally not transition to retirement income streams.

The value of a transition to retirement income stream will only be added to your transfer balance account if you are age 65 or over or you have notified the fund that you have retired, are permanently incapacitated or terminally ill.

Amounts that are added to your transfer balance account generally include the existing value of retirement phase income streams at 30 June 2017 and the starting value of any new retirement phase income streams (including death benefit income streams) commenced on or after 1 July 2017.

Your transfer balance account is reduced by:

- lump sums withdrawn from retirement phase income streams from 1 July 2017
- amounts rolled over from retirement income streams from 1 July 2017
- the value of structured settlement superannuation contributions made by you
- certain reductions in your super balance due to fraud or dishonesty, bankruptcy or a family law payment split.

Investment earnings or losses do not impact your transfer balance account.

### What happens to your account-based pension or annuity when you die?

The treatment of your retirement income stream upon your death depends on:

- The type of income stream

- Whether your income stream was purchased with super or non-super savings
- The type of beneficiary arrangements you have in place (if any)
- The beneficiary's remaining transfer balance cap.

Account-based pension (super)	<p>Upon death, your remaining account-based pension balance is payable (as a lump sum or account-based pension) to one or more of your dependants, or your legal personal representative (as executor of your estate)<sup>5</sup>. Depending on your super provider, you may be able to nominate who receives your benefit in one of the following ways:</p> <ul style="list-style-type: none"> <li>• Non-binding nomination: Gives your super fund trustee an indication of where you would like your benefits paid, however, they are not bound by your nomination and may take other factors into account.</li> <li>• Binding nomination: Where you make a valid nomination, your super fund trustee must pay your benefit to the beneficiaries you've nominated.</li> <li>• A binding death benefit nomination will have to be updated every three years to remain valid, unless the super trustee has made the nomination non-lapsing, which means you do not have to update it.</li> <li>• Reversionary beneficiary: Upon your death, your eligible beneficiary will automatically continue to receive your account-based pension income.</li> <li>• No nomination: Your super fund's default provisions apply. This may include paying your benefits to your legal personal representative or your super fund trustee choosing which eligible beneficiaries should receive your benefit.</li> </ul>
Lifetime annuity (super)	<p>If your annuity has a reversionary beneficiary, upon your death, payments will continue to your beneficiary for the remainder of their life<sup>6</sup>.</p> <p>Where no reversionary beneficiary exists, payments will generally cease upon your death.</p> <p>An exception applies if your annuity has a guaranteed period (also known as a withdrawal period) and you die within that period. Where this occurs,</p>

	<p>a lump sum withdrawal value is payable.</p> <p>If your annuity has already reverted to your reversionary beneficiary and they die within the guaranteed period, a lump sum withdrawal value is payable.</p>
Term annuity (super)	<p>If your annuity has a reversionary beneficiary and you die before the annuity term expires, payments will continue to your beneficiary for the remainder of the term. They will also receive any residual capital value (an amount payable when the annuity term ends).</p> <p>Where no reversionary beneficiary exists and you die before the annuity term expires, a lump sum withdrawal value is payable.</p>
Lifetime annuity (non-super)	<p>If your annuity has a reversionary beneficiary or is a joint annuity, upon your death, payments will continue to your beneficiary / joint annuitant for the remainder of their life.</p> <p>In other cases, payments generally cease upon your death.</p> <p>An exception applies if your annuity has a guaranteed period (also known as a withdrawal period) and you die within that period. Where this occurs, a lump sum withdrawal value is payable to your nominated beneficiary or your legal personal representative.</p> <p>If your annuity has already reverted to your reversionary beneficiary or has continued to be paid to your joint annuitant after your death, and they die within the guaranteed period, a lump sum withdrawal value is payable to your nominated beneficiary or legal personal representative.</p>
Term annuity (non-super)	<p>If your annuity has a reversionary beneficiary or is a joint annuity, and you die before the annuity term expires, payments will continue to your beneficiary or joint annuitant for the remainder of the term. They will also receive any residual capital value (an amount payable when the annuity term ends).</p> <p>Where no reversionary beneficiary or joint annuitant exists and you die before the annuity term expires, payments will continue (or equivalent lump sum withdrawal value is payable) to your nominated beneficiary or your legal personal</p>

	<p>representative for the remainder of the term. They will also receive any residual capital value (an amount payable when the annuity term ends).</p>
Beneficiary's transfer balance cap (for super income streams)	<p>The beneficiary of your super retirement income stream must have enough room left in their transfer balance account to receive any benefits as a retirement income stream. If the value of your retirement income stream exceeds the room left in the beneficiary's transfer balance account, the beneficiary may be required to take the benefit as a lump sum.</p>

### Social security benefits

The Government provides a range of social security benefits to assist certain individuals and families. The type and amount of benefits you can receive depend on your personal and financial circumstances and your stage of life. Common benefits that retirees may be entitled to include the Age Pension, Service Pension, Pensioner Concession Card, and Commonwealth Seniors Health Card.

### What are the Age Pension and Service Pension?

The Age Pension (managed by Services Australia) is a social security benefit designed to ensure that all eligible Australian retirees have at least a basic level of income in retirement. The Service Pension (managed by the Department of Veterans' Affairs) provides the same type of support to eligible veterans and their partners, widows or widowers.

The Age Pension and Service Pension are generally paid at the same rates and normally subject to the same income and assets tests.

### Age requirements

To qualify for the Age Pension or Service Pension, you must have reached Age Pension age. This age depends on when you were born and is shown in the table below:

Born	Eligible for Age Pension at age
Between 1 January 1949 and 30 June 1952	65
Between 1 July 1952 and 31 December 1953	65.5
Between 1 January 1954 and 30 June 1955	66
Between 1 July 1955 and 31 December 1956	66.5
After 1 January 1957	67

The Age Pension age for Veterans with eligible qualifying service is 60.

### Payment rates

The maximum Age Pension and Service Pension rates are as follows:

Age Pension rate per fortnight as at 20 September 2025	
Single	\$1,178.70
Couple	\$888.50 each or \$1,777.00 combined

Rates include maximum pension supplement and energy supplement. Maximum rates are indexed every 6 months on 20 March and 20 September. There are different rates for a couple separated by illness. For the latest rates refer to [www.servicesaustralia.gov.au](http://www.servicesaustralia.gov.au) or [www.dva.gov.au](http://www.dva.gov.au).

However, the Age Pension and Service Pension are subject to means testing, which means your actual rate of payment may be reduced because of your financial situation. Means testing includes calculating your payment under both an assets test and an income test – the one that results in the lowest payment rate will then apply.

### Understanding the assets test

For the purposes of the assets test, an asset is any property or possession that you fully or partly own. Assets are valued according to their net market (sale) value.

Some of the assessable assets covered by the test are:

- funds in bank accounts, shares and managed funds
- superannuation funds (once over Age Pension age)
- motor vehicles, boats and caravans
- household contents and personal effects
- property such as holiday homes
- retirement income streams such as account-based pension and annuities (though some lifetime annuities are partly assets test exempt).

Some assets are exempt from the assets test, including:

- your principal home
- superannuation (while under Age Pension age)
- Certain retirement income streams purchased before 20 September 2007 (may be 50% or 100% exempt) – seek financial advice if you think you already have one of these income streams
- Pensions from a defined benefit superannuation scheme.

Under the assets test, your pension will not reduce until your assets exceed a lower threshold. Your pension is then reduced by \$3.00 pf for every \$1,000 of assets over this threshold.

The assets test thresholds differ depending on whether you are single or married and whether or not you own your home, and are shown in the following table:

Assets test thresholds at 20 September 2025		
Situation	For maximum pension	For part pension
Single homeowner	\$321,500	\$714,500
Single non-homeowner	\$579,500	\$972,500
Couple homeowner	\$481,500	\$1,074,500
Couple non-homeowner	\$739,500	\$1,332,000

Lower thresholds are indexed each year on 1 July, while upper thresholds may change on a quarterly basis. Visit [www.servicesaustralia.gov.au](http://www.servicesaustralia.gov.au) or [www.dva.gov.au](http://www.dva.gov.au) for full details.

### Assets test treatment of account-based pensions and lifetime annuities

The account balance of your account-based pension is counted for assets test purposes.

If you purchased a lifetime annuity<sup>7</sup> on or after 1 July 2019, 60% of the purchase price is assessable until age 84 (or a minimum of five years), then 30% of the purchase price is assessable for the remainder of life.

If you purchased a lifetime annuity prior to 1 July 2019, the purchase price initially counts for assets test purposes. However, this value may then be reduced over time to take into account the proportion of each annuity payment that represents repayments from your original capital.

Certain retirement income streams purchased before 20 September 2007 may be 50% or 100% exempt under the assets test.

### Understanding the income test

For the purpose of the income test, income is defined as any money earned, derived or received for your use or benefit and includes:

- deemed income from financial investments such as shares, managed funds and bank accounts
- deemed income from superannuation where you have reached Age Pension age
- gross income from salary and wages
- income from business and real estate
- certain levels of income from retirement income streams such as account-based pensions and annuities.

Under the income test, your pension will not reduce until your income exceeds a lower threshold. For every dollar you have above the lower threshold, your pension will then generally reduce by 50 cents per fortnight (singles or couples combined) until it cuts out completely. The thresholds are shown in the following table:

Lower thresholds are indexed each year on 1 July, while upper thresholds may change on a quarterly basis. Visit [www.servicesaustralia.gov.au](http://www.servicesaustralia.gov.au) or [www.dva.gov.au](http://www.dva.gov.au) for the latest thresholds.

### Take advantage of the Work Bonus

The Work Bonus provides an incentive to continue working after reaching Age Pension age by reducing the amount of employment income assessed under the income test. Under the standard rules currently applying, the first **\$300 per fortnight** of income from gainful work involving personal exertion is not counted under the income test. Unused amounts may accrue to a maximum Work Bonus balance.

#### Income test thresholds as at 20 September 2025

Family situation	For maximum pension	For part pension
Single	Up to \$218 pf	Less than \$2,575.40 pf
Couple (combined)	Up to \$380 pf	Less than \$3,934.00 pf

### Income test treatment of retirement income streams

The income test treatment of your retirement income stream will depend on the type of income stream and your circumstances.

Account-based pension (not grandfathered)	The balance of your account-based pension is subject to deeming for income test purposes. Deeming involves assuming that an asset earns certain rates of return, regardless of the actual earnings generated.  If you have an account-based pension that is deemed, your actual pension payments are not counted as income under the income test.
Account-based pension (grandfathered)	Any pension payments each year that exceed your 'deductible amount' are counted for income test purposes.  Where you do not have a reversionary beneficiary, your annual deductible amount is generally your purchase price, divided by your life expectancy.  Where you do have a reversionary beneficiary, your annual deductible amount is generally your purchase price, divided by the longer of your or your reversionary beneficiary's life expectancies.
Lifetime annuity purchased on or after 1 July 2019 (complies with the Capital Access Schedule)	Lifetime income streams purchased on or after 1 July 2019, that comply with the Capital Access Schedule, have 60% of annual payments counted for income test purposes.  The Capital Access Schedule limits the amount of capital that can be accessed as a

	<p>voluntary commutation or death benefit.</p> <p>Grandfathering applies to lifetime income streams commenced prior to 1 July 2019 and they will continue to be assessed under the income test treatment below.</p>
Lifetime annuity purchased before 1 July 2019	<p>Any annuity payments each year that exceed your 'deductible amount' are counted for income test purposes.</p> <p>Where you do not have a reversionary beneficiary, your annual deductible amount is generally your purchase price, divided by your life expectancy.</p> <p>Where you do have a reversionary beneficiary, your annual deductible amount is generally your purchase price, divided by the longer of your or your reversionary beneficiary's life expectancies.</p>
Term annuity	<p>For long term annuities (six years or more, or at least your life expectancy if less than six years), any annuity payments each year that exceed your 'deductible amount' are counted for income test purposes.</p> <p>Your annual deductible amount is generally your purchase price less any capital remaining when your annuity ends (residual capital value), divided by the annuity term.</p> <p>Short term annuities, in contrast, are treated as financial investments and (along with other financial investments) are subject to deeming for income test purposes.</p>

### Pensioner Concession Card

If you receive an eligible income support payment (for example the Age Pension or Service Pension), you also get a Pensioner Concession Card. Cardholders are eligible for reduced cost medicines under the Pharmaceutical Benefits Scheme (PBS), as well as other concessions, including reduced water rates, energy bills and property rates, a telephone allowance, reduced public transport fares and reduced motor vehicle registration costs.

### Commonwealth Seniors Health Card

Even if you don't qualify for the Age Pension (for example, your assets or income are too high), you may be eligible to receive the Commonwealth Seniors Health Card (CSHC). The CSHC provides a range of benefits, such as discounts on prescription medicine, Australian government funded medical services and other government concessions, to certain self-funded retirees.

To qualify for the Commonwealth Seniors Health Card, your adjusted taxable income must be less than \$101,105 pa (singles) or \$161,768 pa (couples combined). These thresholds are indexed on 20 September each year in line with the Consumer Price Index. It's also important to note that the balance of your account-based pension is subject to deeming for the income test. However, if your account-based pension commenced prior to 1 January 2015 and you have continuously held a CSHC since before that time, your account-based pension income is exempt from the income test.

### Why financial advice is important

Talking to a financial adviser before you retire will help put you on the road to financial security and access the following benefits:

- Getting help from a financial adviser can help you decipher complex super and tax legislations.
- They can help you assess the best income stream options and also structure your retirement portfolio to save tax.
- They are supported by a network of technical and qualified specialists in super and retirement.
- You can schedule regular reviews to ensure you stay on track before and after you retire so all you need to focus on is enjoying a new more relaxed lifestyle.

1. Australian Life Tables 2015-17 with 25-year improvement factors as provided by the Australian Government Actuary.
2. ASFA Retirement Standard – December quarter 2025
3. ASFA Retirement Standard – All figures in today's dollars (using 2.75% as a deflator) and assumed investment return of 6% per annum. Standards assume that the retirees own their own home and aged 67.
4. This tax treatment applies to payments from taxed super funds. Additional tax may apply to payments made from untaxed government super funds (untaxed funds include certain government superannuation schemes).
5. Dependants include your spouse, child, financial dependant or interdependent relation. Death benefits can generally only be paid as an income stream if paid to your spouse or child (aged under 18, under 25 and financially dependent on you or permanently disabled). From 1 July 2017, your beneficiary's remaining transfer balance cap may limit the amount of death benefit they can receive as an account-based pension.
6. Your reversionary beneficiary must be one of your dependants who is also eligible to receive a superannuation death benefit as an income stream (e.g., a spouse). From 1 July 2017, your reversionary beneficiary's remaining transfer balance cap may limit the amount of reversionary annuity they can continue to receive.
7. Assumes income stream complies with the Capital Access Schedule, which are restrictions the Government places on the amount that may be commuted from the income stream.

#### **Important information**

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