Understanding different types of retirement pensions

If you've heard the term 'pension' being thrown around, you may have picked up that there are many types of pensions available in Australia.

We explain the difference between three commonly used pensions, including the government's Age Pension, a transition to retirement pension, and an account-based (or allocated) pension, so you're across how they work and what might be right for you.

The government's Age Pension

The Age Pension is a government benefit paid to eligible Australians that have reached their Age Pension age.

You can check out the age eligibility for when you are able to access the Age Pension below.

Date of birth	Age Pension eligibility age
Before 1 July 1952	65 years
1 July 1952 - 31 December 1953	65 years and 6 months
1 January 1954 - 30 June 1955	66 years
1 July 1955 - 31 December 1956	66 years and 6 months
From 1 January 1957	67 years

Currently, to be eligible for a full or part Age Pension, you must satisfy an income test and an assets test, as well as other requirements.

The value of various assets you have, and any income you receive, will determine whether you're eligible and what amount of money you'll receive in Age Pension payments.

The maximum Age Pension rate for a single person is currently $907.60 a fortnight and for a couple, it's currently $1,368.20 a fortnight.

Transition to retirement pension

A transition to retirement pension (TTR) is something different altogether.

It's a type of pension that enables you to access some of the superannuation you've saved via periodic payments, even if you're still working and receiving an income from your employer or business.

To access your super this way, you must however have reached your preservation age, which will be between 55 and 60, depending on when you were born.

See the table below to work out what your preservation age is.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
1 July 1964 and onwards	60

Accessing a TTR pension may provide you with some useful opportunities. For example, you could either work less, or work the same hours while sacrificing some of your salary into super. In both cases, you can use your TTR pension to supplement any reduction in your take-home pay.

Note, you can only withdraw between 4% and 10% of your super savings each financial year with a TTR pension and you can't make lump sum withdrawals unless you meet certain conditions of release.

Account-based pension

An account-based (or allocated) pension is an account made up of money you've accumulated in super, which allows you to draw a regular income once you have met one of superannuation's conditions of release – for example, when you have reached your preservation age (see table above) and retired from the workforce.

Typically, there's no limit to how much you can withdraw from an account-based pension, so in addition to receiving periodic payments, you can withdraw some or all your money as a lump sum.

Each year however, you'll need to withdraw a minimum amount and this figure will be based on your age and will be a percentage of your account balance. The table below shows you how much.

Age	Yearly minimum withdrawal
55 - 64	4%
65 - 74	5%
75 - 79	6%
80 - 84	7%
85 - 89	9%
90 - 94	11%
95+	14%

If you’re converting your super into an account-based pension to derive an income in retirement, note you’re restricted to transferring a maximum of $1.6 million into your pension account, not including subsequent earnings.

Source: AMP.

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