



## **IFSA Guidance note No. 27.00 Income Stream Reporting Schedules**

**December 2008**

**The purpose of this Guidance Note is:**

- **To assist income stream providers with the preparation of system generated reports for income stream products that can be used for the purposes of both Centrelink and the Department of Veterans' Affairs ("DVA").**
- **To provide clarification regarding the information to be reported for income streams for the purposes of both Centrelink and DVA.**
- **To ensure consistent reporting by income stream providers.**

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### **1. Title**

This Guidance Note may be cited as IFSA Guidance Note No. **RI\_ 1.00 Income Stream Reporting Schedules**

### **2. Date of Issue**

May 2003, amended November 2004 and November 2008

### **3. Effective Date**

This Guidance Note should be applied in relation to an IFSA Member's operations on a continuous and ongoing basis

### **4. Application**

This Guidance Note should be applied by the Operations Manager.

Where there is a conflict between the requirements of this Guidance Note, applicable legislation and the Trust Deed of the fund, the Operator should refer to Centrelink or the Department of Veteran Affairs for clarification.

Any feedback on this guide or required updates of information should be forwarded to the chair of the Retirement Incomes Discussion Group.

### **5. Statement of Purpose**

This Guidance Note is aimed at promoting best practice and the purpose it to:

- To assist income stream providers with the preparation of system generated reports for income stream products that can be used for the purposes of both Centrelink and Department of Veterans' Affairs ("DVA").
- To provide clarification regarding the information to be reported for income stream investments for the purposes of both Centrelink and DVA.
- To ensure consistent reporting by income stream providers.

### **6. Background**

This guidance note has been prepared to provide clarification regarding the information to be reported for income streams for the purposes of both Centrelink and the Department of Veterans' Affairs ("DVA").

This information is designed to assist income stream providers with the preparation of system generated reports for income stream products that can be used for the purposes of both Centrelink and DVA. Alternatively, reporting schedules provided by Centrelink/DVA can be used instead to meet ongoing income stream reporting obligations.

7. Income Stream Reporting Schedule Reporting Guidelines

Data Item	Lifetime Income Stream	Life Expectancy Income Stream	Market Linked (TAP) Income Stream	Allocated Income Stream (including Account Based)	Fixed Term Income Stream
<b>Client Name</b>	Client Name	Client Name	Client Name	Client Name	Client Name
<b>Client Share %</b>	Indicate % owned by each person (e.g. X%/Y%). Only applies for jointly owned ordinary money annuities. If jointly owned still show 100% of the investment on one schedule.	Indicate % owned by each person (e.g. X%/Y%). Only applies for jointly owned ordinary money annuities. If jointly owned still show 100% of the investment on one schedule.	Not Applicable	Not Applicable	Indicate % owned by each person (e.g. X%/Y%). Only applies for jointly owned ordinary money annuities. If jointly owned still show 100% of the investment on one schedule.
<b>Provider ABN</b>	Income stream provider's ABN	Income stream provider's ABN	Income stream provider's ABN	Income stream provider's ABN	Income stream provider's ABN
<b>Provider Name</b>	Income stream provider's name	Income stream provider's name	Income stream provider's name	Income stream provider's name	Income stream provider's name
<b>Product Name</b>	Income Stream product's Name	Income stream product's name	Income stream product's name	Income stream product's name	Income Stream product's name
<b>Product Reference Number</b>	Unique identifier for client's income stream (policy number)	Unique identifier for client's income stream (policy number)	Unique identifier for client's income stream (policy number)	Unique identifier for client's income stream (policy number)	Unique identifier for client's income stream (policy number)
<b>Type of Income Stream</b>	'Lifetime'  If paid for life.  See Notes for more detail.	'Life Expectancy'  For all asset test exempt complying non-market linked fixed term income streams.  Do not use the words "Term" or "Fixed" for this type of income stream as Centrelink/DVA will not allow an asset test exemption.  See Notes for more detail.	'Market Linked'  For all asset test exempt complying market linked fixed term income streams – which are also known as Term Allocated Pensions or TAPS.  Do not use the words "Term" or "Allocated" for this type of income stream as Centrelink/DVA will not allow an asset test exemption  See Notes for more detail.	'Allocated'  For all allocated or new account based income streams.  Do not use the words "Account Based" or "Market Linked" for this type of income stream. It must be reported as "Allocated" to ensure the correct assessment outcomes at Centrelink/DVA.  See Notes for more detail.	'Term'  For all non-asset test exempt fixed term income streams.  See Notes for more detail.

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Data Item	Lifetime Income Stream	Life Expectancy Income Stream	Market Linked (TAP) Income Stream	Allocated Income Stream (including Account Based)	Fixed Term Income Stream
Has this income stream been split as part of a property settlement on marriage breakdown ?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
Is this Income stream paid from a SMSF or SAF ?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No
Does the income stream meet ALL of the characteristics required under section 9A, 9B or 9BA of the Social Security Act 1991 OR section 5JA, 5JB or 5JBA of the Veterans' Entitlements Act 1986 to qualify as asset test exempt income stream ?	<p>Yes/No</p> <p>Indicate Yes – only if the income stream meets <u>all</u> of the characteristics required under section 9A SSA or 5JA VEA.</p> <p>A Lifetime income stream with a commencement date on or after 20 September 2007 cannot be asset test exempt unless it meets the criteria to retain asset test exemption.</p>	<p>Yes/No</p> <p>Indicate Yes – only if the income stream meets <u>all</u> of the characteristics required under section 9B SSA or 5JB VEA.</p> <p>A Lifetime Expectancy income stream with a commencement date on or after 20 September 2007 cannot be asset test exempt unless it meets the criteria to retain asset test exemption.</p>	<p>Yes/No</p> <p>Indicate Yes – only if the income stream meets <u>all</u> of the characteristics required under section 9BA SSA or 5JBA VEA.</p> <p>A Market Linked income stream with a commencement date on or after 20 September 2007 cannot be asset test exempt unless it meets the criteria to retain asset test exemption.</p>	<p>No</p> <p>Allocated and new account based incomes streams do not qualify for asset test exemption.</p>	<p>No</p> <p>Term income streams do not qualify for asset test exemption.</p>
Has the income stream been purchased with a commutation of another income stream ?	Yes/No	Yes/No	Yes/No	Not Applicable	Not Applicable
Is the income stream eligible to retain asset test exempt status ?	<p><u>Either:</u></p> <p>(i) No – in most cases; OR</p> <p>(ii) Yes – in limited cases – only if the income stream has been commuted and recommenced on or after 20 September 2007 <u>and</u> it meets the criteria to retain asset test exemption.</p> <p>If Yes – provide commencement date of the original commuted income stream. See Notes.</p>	<p><u>Either:</u></p> <p>(i) No – in most cases; OR</p> <p>(ii) Yes – in limited cases – only if the income stream has been commuted and recommenced on or after 20 September 2007 <u>and</u> it meets the criteria to retain asset test exemption.</p> <p>If Yes – provide commencement date of the original commuted income stream. See Notes.</p>	<p><u>Either:</u></p> <p>(i) No – in most cases; OR</p> <p>(ii) Yes – in limited cases – only if the income stream has been commuted and recommenced on or after 20 September 2007 <u>and</u> it meets the criteria to retain asset test exemption.</p> <p>If Yes – provide commencement date of the original commuted income stream. See Notes.</p>	No	No

Data Item	Lifetime Income Stream	Life Expectancy Income Stream	Market Linked (TAP) Income Stream	Allocated Income Stream (including Account Based)	Fixed Term Income Stream
<b>Commencement Date / Purchase Date</b>	Original commencement date – this is the date the contract was signed (i.e. the purchase date). <b>Do not use first payment date.</b>	Original commencement date – this is the date the contract was signed (i.e. the purchase date). <b>Do not use first payment date.</b>	Original commencement date – this is the date the contract was signed (i.e. the purchase date). <b>Do not use first payment date.</b>	Original commencement date – this is the date the contract was signed (i.e. the purchase date). <b>Do not use first payment date.</b>	Original commencement date – this is the date the contract was signed (i.e. the purchase date). <b>Do not use first payment date.</b>
<b>Relevant Number (at commencement date)</b>	<p><u>Either:</u></p> <p>(i) the life expectancy of the primary beneficiary where there is no nominated reversionary beneficiary; OR</p> <p>(ii) the longer life expectancy of either the primary beneficiary or reversionary beneficiary where there is a nominated reversionary beneficiary; OR</p> <p>(iii) the longer life expectancy of either beneficiary where the income stream is purchased in joint names.</p> <p>The relevant number must always be the relevant number that applied at the commencement date and must not be changed following a partial commutation or reversion to reversionary beneficiary.</p> <p>See Notes for more detail.</p>	<p>The fixed term as specified in the income stream contract at the commencement date.</p> <p>The relevant number must always be the relevant number that applied at the commencement date and must not be changed following a partial commutation or reversion to reversionary beneficiary.</p> <p>See Notes for more detail.</p>	<p>The fixed term as specified for the income stream at the commencement date.</p> <p>The relevant number must always be the relevant number that applied at the commencement date and must not be changed following a partial commutation or reversion to reversionary beneficiary.</p> <p>See Notes for more detail.</p>	<p><u>Either:</u></p> <p>(i) the life expectancy of the primary beneficiary where there is no reversionary beneficiary or where reversion of the income stream payment is at the absolute discretion of the trustee; OR</p> <p>(ii) the longer life expectancy of either the primary beneficiary or reversionary beneficiary where there is binding reversionary nomination which ensures that the income stream payments will revert to the nominated reversionary beneficiary upon the death of the primary beneficiary.</p> <p>The relevant number must always be the relevant number that applied at the commencement date and must not be changed following a partial commutation or reversion to reversionary beneficiary.</p> <p>See Notes for more detail.</p>	<p>The fixed term as specified in the income stream contract at the commencement date.</p> <p>See Notes for more detail.</p>

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Data Item	Lifetime Income Stream	Life Expectancy Income Stream	Market Linked (TAP) Income Stream	Allocated Income Stream (including Account Based)	Fixed Term Income Stream
<b>Reversionary beneficiary nominated</b>	Yes/No Indicate Yes - only if the income stream payments will revert to a reversionary beneficiary upon the death of the primary beneficiary. See Notes for more detail.	Yes/No Indicate Yes - only if the income stream payments will revert to a reversionary beneficiary upon the death of the primary beneficiary. See Notes for more detail.	Yes/No Indicate Yes - only if the income stream payments will revert to a reversionary beneficiary upon the death of the primary beneficiary. See Notes for more detail.	Yes/No Indicate Yes - only if the income stream payments will revert to a reversionary beneficiary upon the death of the primary beneficiary. See Notes for more detail.	Yes/No Indicate Yes - only if the income stream payments will revert to a reversionary beneficiary upon the death of the primary beneficiary. See Notes for more detail.
<b>Original Purchase Price</b>	Original purchase price before fees are deducted. Do not subtract commutations.	Original purchase price before fees are deducted. Do not subtract commutations.	Original purchase price before fees are deducted. Do not subtract commutations.	Original purchase price before fees are deducted. Do not subtract commutations.	Original purchase price before fees are deducted. Do not subtract commutations.
<b>Commutations</b>	Yes/No If Yes - List the \$ amount and date of each commutation made since the commencement date. The gross commutation amount should be provided.	Yes/No If Yes - List the \$ amount and date of each commutation made since the commencement date. The gross commutation amount should be provided.	Yes/No If Yes - List the \$ amount and date of each commutation made since the commencement date. The gross commutation amount should be provided.	Yes/No If Yes - List the \$ amount and date of each commutation made since the commencement date. The gross commutation amount should be provided.	Yes/No If Yes - List the \$ amount and date of each commutation made since the commencement date. The gross commutation amount should be provided.
<b>Residual Capital Value</b>	<u>Either:</u> (i) Zero - for complying asset test exempt income streams; OR (ii) the \$ amount of the residual capital value which will be returned upon the expiry of a non-complying non-asset test exempt income stream.	Zero The term Life Expectancy income stream is only used for complying asset test exempt income streams which cannot have a residual capital value.	Not Applicable	Not Applicable	The \$ amount of the residual capital value which will be returned upon the expiry of a non-complying non-asset test exempt income stream.
<b>Gross amount of each payment</b>	The \$ amount of each payment per frequency (gross before any deductions - tax or other).	The \$ amount of each payment per frequency (gross before any deductions – tax or other).	Not Applicable	Not Applicable	The \$ amount of each payment per frequency (gross before any deductions – tax or other).
<b>Payment Frequency</b>	<u>Either:</u> ▪ per annum	<u>Either:</u> ▪ per annum	Not Applicable	Not Applicable	<u>Either:</u> ▪ per annum

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Data Item	Lifetime Income Stream	Life Expectancy Income Stream	Market Linked (TAP) Income Stream	Allocated Income Stream (including Account Based)	Fixed Term Income Stream
	<ul style="list-style-type: none"> <li>▪ twice per annum</li> <li>▪ per quarter</li> <li>▪ per month</li> <li>▪ per fortnight</li> </ul>	<ul style="list-style-type: none"> <li>▪ twice per annum</li> <li>▪ per quarter</li> <li>▪ per month</li> <li>▪ per fortnight</li> </ul>			<ul style="list-style-type: none"> <li>▪ twice per annum</li> <li>▪ per quarter</li> <li>▪ per month</li> <li>▪ per fortnight</li> </ul>
<b>Gross Annual Payment (Account based/allocated pension) Annual Income (MLIS)</b>	Not Applicable	Not Applicable	<p>Gross annual payment to be reported must equal the amount the client expects to receive during the financial year. At any stage during the financial year, this amount will comprise all payments already received (excluding commutations), plus those payments expected to be received for the remainder or the financial year.</p> <p>Where the income stream commences on a day other than 1 July, the gross amount to be reported in the first financial year must equal the annual amount that would have been received for a full financial year had the amount not been pro-rated.</p> <p>See Notes for more detail.</p>	<p>Gross annual payment to be reported must equal the amount the client expects to receive during the financial year. At any stage during the financial year, this amount will comprise all payments already received (excluding commutations), plus those payments expected to be received for the remainder or the financial year.</p> <p>Where the income stream commences on a day other than 1 July, the gross annual payment to be reported in the first financial year must equal the annual amount that would have been received for a full financial year had the amount not been pro-rated.</p> <p>See Notes for more detail.</p>	Not Applicable
<b>Indexation</b>	Yes/No	Yes/No	Not Applicable	Not Applicable	Yes/No
<b>Indexation Method</b>	<u>Either:</u> <ul style="list-style-type: none"> <li>▪ Not Indexed</li> <li>▪ CPI</li> <li>▪ Fixed</li> <li>▪ Other please specify</li> </ul>	<u>Either:</u> <ul style="list-style-type: none"> <li>▪ Not Indexed</li> <li>▪ CPI</li> <li>▪ Fixed</li> <li>▪ Other please specify</li> </ul>	Not Applicable	Not Applicable	<u>Either:</u> <ul style="list-style-type: none"> <li>▪ Not Indexed</li> <li>▪ CPI</li> <li>▪ Fixed</li> <li>▪ Other please specify</li> </ul>
<b>Next Indexation Date</b>	Next indexation date from which	Next indexation date from which	Not Applicable	Not Applicable	Next indexation date from which

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	indexation period applies.	indexation period applies.			indexation period applies.
<b>Indexation Rate if Fixed</b>	% rate of indexation as specified in the income stream contract.	% rate of indexation as specified in the income stream contract.	Not Applicable	Not Applicable	% rate of indexation as specified in the income stream contract.
<b>Data Item</b>	<b>Lifetime Income Stream</b>	<b>Life Expectancy Income Stream</b>	<b>Market Linked (TAP) Income Stream</b>	<b>Allocated Income Stream (including Account Based)</b>	<b>Fixed Term Income Stream</b>
<b>Account Balance at 1 July</b>	Not Applicable	Not Applicable	<p><u>Either the \$ amount of :</u></p> <p>(i) account balance at commencement date in the first financial year;</p> <p>OR</p> <p>(ii) 1 July account balance in any subsequent financial years.</p> <p>If the schedule is issued during a financial year, the 1 July balance is the balance at the 1 July just passed. E.g. If the schedule is issued on 1 April 2008, the 1 July 2007 account balance should be displayed on the schedule.</p>	<p><u>Either the \$ amount of :</u></p> <p>(i) account balance at commencement date in the first financial year;</p> <p>OR</p> <p>(ii) 1 July account balance in any subsequent financial years.</p> <p>If the schedule is issued during a financial year, the 1 July balance is the balance at the 1 July just passed. E.g. If the schedule is issued on 1 April 2008, the 1 July 2007 account balance should be displayed on the schedule.</p>	Not Applicable
<b>Current Account Balance</b>	Not Applicable	Not Applicable	\$ amount of current account balance.	\$ amount of current account balance.	Not Applicable
<b>Date of Current Account Balance</b>	Not Applicable	Not Applicable	Date of current account balance	Date of current account balance	Not Applicable
<b>Provider Contact Name</b>	Contact name	Contact name	Contact name	Contact name	Contact name
<b>Provider Contact Phone Number</b>	Contact phone number	Contact phone number	Contact phone number	Contact phone number	Contact name or address

Additional information can be found at the Guide to Social Security Law. The Guide reference is 4.9 – [Income Streams](#)

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### 8. Notes:

#### When to issue an Income Stream Schedule ?

The income stream schedule should be issued in each of the following circumstances:

- commencement of income stream;
- when requested by Centrelink/DVA;
- when a partial commutation is made from the income stream;
- where the gross annual payment from the allocated or market-linked income stream has changed;
- where there is a change in the level of indexation applied to the income payments from the income stream;
- on reversion to a reversionary beneficiary.
- where the reversionary beneficiary is changed/updated on an income stream

#### Type of Income Stream

The type of income stream must be reported using the exact terminology specified in these reporting guidelines, that is:

<b>Lifetime</b>	-	for lifetime income streams
<b>Life Expectancy</b>	-	for asset test exempt fixed term non-market linked income streams
<b>Market Linked</b>	-	for asset test exempt fixed term market linked income streams
<b>Allocated</b>	-	for allocated and new account based income streams
<b>Fixed Term</b>	-	for non-asset test exempt fixed term income streams

Centrelink/DVA systems only allow for these 5 types of income streams to be coded.

For each type of income stream, special classification and assessment routines are invoked to ensure that the income stream is assessed against the income and asset test rules applicable to the type of income stream.

It is important that this data item is reported accurately. Inconsistent terminology will result in incorrect classification and assessment outcomes. Here are some examples to illustrate the problems which may be caused by inconsistent terminology:

Example 1: for Life Expectancy income streams - do not use the words "Term" or "Fixed" to indicate the type of income stream, as Centrelink/DVA will not allow an asset test exemption for fixed term income streams. A Life Expectancy type only refers to asset test exempt fixed term non-market linked income streams, which are paid for a fixed term based on the life expectancy rules and ranges specified under section 9B of the *Social Security Act 1991* or section 5JB of the *Veterans' Entitlements Act 1986*.

Example 2: for Market Linked income streams - do not use the words "Term" or "Allocated" or "TAP" to indicate the type of income stream, as Centrelink/DVA will not allow an asset test exemption for fixed term or allocated income streams.

Example 3: for Allocated or new account based income streams - do not use the words "Account Based" or "Market Linked" to indicate the type of income stream, as this will result in incorrect assessment outcomes.

Example 4: only use the words "Term" or "Fixed" for fixed term non-asset test exempt income streams, as any income stream coded as fixed term will not qualify for an asset test exemption. If the income stream is an asset test exempt fixed term non-market linked income product, then you must report the income stream type as Life Expectancy – see example 1 above.

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### **Does the income stream meet ALL of the characteristics required under section 9A, 9B or 9BA of the Social Security Act 1991 OR section 5JA, 5JB or 5JBA of the Veterans' Entitlements Act 1986 to qualify as asset test exempt income stream ?**

You must only answer YES to this question if the income stream meets ALL of the characteristics required (under the specified legislation) to qualify as an asset test exempt income stream.

Allocated, new account based income streams and fixed term income streams will not qualify for asset test exemption, regardless of their commencement date.

Lifetime, Life Expectancy and Market Linked income streams with a commencement date on or after 20 September 2007 cannot be asset test exempt unless they meet the criteria to retain asset test exemption.

### **Is the income stream eligible to retain asset test exempt status ?**

In most cases the answer to this question will be NO, as most income streams would not have been commuted and recommenced on or after 20 September 2007 and the circumstances in which an income stream can retain asset test exemption are rare.

In a limited number of cases, the answer to this question may be YES, but only if the income stream has been actually been commuted and recommenced on or after 20 September 2007 and it meets the criteria to retain asset test exemption.

If you answer YES to this question, you must be able to substantiate that the new income stream actually meets the criteria to retain asset test exemption. This will only apply where the new income stream:

- has been purchased using funds directly from an allowable commutation of an existing asset test exempt income stream, and
- has the characteristics of an asset test exempt income stream, and
- meets one of the criteria in either clauses 2.2 to 2.9 or 3.2 to 3.10 of the Principles for determining whether an income stream is asset test exempt. These Principles are contained in determinations titled : *Social Security (Retention of Exemption for Asset-test Exempt Income Streams) (FaCSIA) Principles 2007* and *Veterans' Entitlements (Retention of Exemption for Asset-test Exempt Income Streams) Principles 2007*.

In general terms, the criteria outlined in the Principles under which a new income stream can retain its asset test exemption are limited to commutations made to enable:

- changes when the reversionary beneficiary predeceases the primary beneficiary;
- changes when the primary beneficiary and reversionary beneficiary are no longer members of a couple;
- compliance with actuarial certification,
- a transfer to a successor fund,
- a payment split under Part VIII B of the Family Law Act 1975,
- a Family Court order or injunction,
- payment of a superannuation contributions surcharge debt,
- payment of a hardship amount,
- transfer of all the assets supporting a market linked income stream to another market linked income stream,
- closure of a self managed superannuation fund, or
- compliance with regulation 6.21(2A) of the Superannuation Industry (Supervision) Regulations 1994.

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More comprehensive information can be found in the Guide to Social Security Law. The Guide reference is 4.9.2.17 - [Retention of Asset Test Exemption for ATE Income Streams Purchased from 20/09/2004, or from 20/09/2007](#)

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### **Relevant Number**

The relevant number is determined at the commencement date of the income stream and must not be changed following a partial commutation. Where the income stream automatically reverts to a reversionary beneficiary, the relevant number will also not change. Where the trustee exercises an absolute discretion to pay a new income stream upon death, the new relevant number is based on the life expectancy of the new beneficiary at the date where discretion is applied.

If the income stream paid for a:

Lifetime and is not reversionary - the relevant number is the life expectancy factor of the primary beneficiary using the appropriate Australian Life Tables current as at the commencement date of the income stream. Do not round the life expectancy to whole number.

Lifetime and is reversionary - the relevant number will be the longer life expectancy factor of either the primary beneficiary or reversionary beneficiary using the appropriate Australian Life Tables current as at the commencement date of the income stream. Do not round the life expectancy to whole number.

Fixed Term based on Life Expectancy - the relevant number is the term specified in the contract.

Market Linked Fixed Term based on Life Expectancy - the relevant number is the term specified in the contract or governing rules of the fund.

Fixed Term - the relevant number is the term specified in the contract.

Allocated or New Account Based income stream which is not reversionary - the relevant number is the life expectancy factor of the primary beneficiary using the appropriate Australian Life Tables current as at the commencement date of the income stream. Do not round the life expectancy to whole number.

Allocated or New Account Based income stream which is reversionary only at the discretion of the trustee - the relevant number is the life expectancy factor of the primary beneficiary using the appropriate Australian Life Tables current as at the commencement date of the income stream. Do not round the life expectancy to whole number.

Allocated or New Account Based income stream which is reversionary - the relevant number will be the longer life expectancy factor of either the primary beneficiary or reversionary beneficiary using the appropriate Australian Life Tables current as at the commencement date of the income stream. Do not round the life expectancy to whole number.

### **Relevant Number for asset test exempt Life Expectancy and Market Linked income streams**

The relevant number for a fixed term Life Expectancy or Market Linked income stream is the actual term specified in the contract or governing rules in the fund.

To qualify for asset test exemption, the relevant number which is specified in the contract for a Life Expectancy or Market linked income stream must be based on fixed term using the life expectancy rules and ranges specified under section 9B or 9BA of the Social Security Act 1991 or section 5JB or 5JBA of the Veterans' Entitlements Act 1986, that is:

If a Life Expectancy income stream commenced BEFORE 20 September 2004:

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- the primary beneficiary must have attained pension age on or before the commencement date; AND
- the term of the income stream must be equal to the primary beneficiary's life expectancy; OR life expectancy rounded up to the next whole number (or any fractional number in between);

or

- the primary beneficiary must have attained pension age on or before the commencement date; AND
- the term is 15 years or more; AND
- the primary beneficiary's life expectancy is also 15 years or more; AND
- the term is not greater than the primary beneficiary's life expectancy OR life expectancy rounded up to the nearest whole number (or any fractional number in between).

If a Life Expectancy or Market Linked income stream commenced ON or AFTER 20 September 2004 and BEFORE 1 January 2006:

- the term is a period of whole years at least as long as the life expectancy of the primary beneficiary (rounded up, if not a whole number, to the next whole number) and at most as long as the life expectancy of the primary beneficiary if they were 5 years younger (rounded up, if not a whole number, to the next whole number) on the income stream's commencement day; or
- the term is a period of whole years at least as long as the greater of the life expectancies of the primary beneficiary and the primary beneficiary's reversionary partner (rounded up, if not a whole number, to the next whole number) and at most as long as the greater of the life expectancies of the primary beneficiary and the primary beneficiary's reversionary partner if they were both 5 years younger (rounded up, if not a whole number, to the next whole number) on the income stream's commencement day.

If a Life Expectancy or Market Linked income stream commenced ON or AFTER 1 January 2006 and BEFORE 20 September 2007:

- the term must be a period of whole years at least as long as the life expectancy of the primary beneficiary (rounded up, if not a whole number, to the next whole number) and at most as long as the greater of:
  - I. the life expectancy of the primary beneficiary if they were 5 years younger (rounded up, if not a whole number, to the next whole number) on the income stream's commencement day; and
  - II. the period (rounded up, if not a whole number, to the next whole number) starting on the income stream's commencement day and ending on the day on which the primary beneficiary would reach age 100;

or

- the term can be as above or for a period of whole years at least as long as the greater of the life expectancies of the primary beneficiary and the primary beneficiary's reversionary partner (rounded up, if not a whole number, to the next whole number) and at most as long as the greater of:
  - I. the greater of the life expectancies of the primary beneficiary and the primary beneficiary's reversionary partner if they were both 5 years younger (rounded up, if not a whole number, to the next whole number) on the income stream's commencement day, and
  - II. the greater of the periods (rounded up, if not a whole number, to the next whole number) starting on the income stream's commencement day and ending on the day on which the primary beneficiary and the primary beneficiary's reversionary partner would reach age 100.

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Similar information can be found in the Guide to Social Security Law and the Centrelink schedule (SA330) checklist. The Guide references for your information are as follows:

<b>Section Guide to Social Security Law</b>	
4.9.2.10	<a href="#">Life Expectancy income stream commenced before 20 September 2004</a>
4.9.2.15	<a href="#">Life Expectancy or Market Linked income stream commenced on or after 20 September 2004 and before 1 January 2006</a>
4.9.2.15	<a href="#">Life Expectancy or Market Linked income stream commenced on or after 1 January 2006 and before 20 September 2007</a>

### **Income Streams which have reverted to a deceased estate upon the death of the primary beneficiary**

An income stream paid to a trust (e.g. discretionary or testamentary trust) is NOT an income stream for Centrelink/DVA purposes and is assessed under the Trusts and Companies rules, which require the gross payments from the income stream to be assessed as trust income. No income deduction will be allowed for the income stream.

An income stream schedule is not required where income stream payments have reverted to a deceased estate upon the death of the primary beneficiary.

Documentation will be required to verify the amount and frequency of the gross payments and the name of the estate to which payments are made.

### **Income Streams which have reverted to a reversionary beneficiary upon the death of the primary beneficiary**

For Lifetime income streams - on reversion to a reversionary beneficiary upon the death of the primary beneficiary or the death of one of the owners of a jointly owned income stream, the income stream is treated as a continuation of the original income stream. The asset test exempt status, purchase price, commencement date and relevant number remain unchanged. The gross payment may be reduced as specified in the income stream contract.

For Life Expectancy income streams which commenced before 20 September 2004 – the asset test exempt status of the income stream must be re-tested for compliance on reversion to a reversionary beneficiary upon the death of the primary beneficiary.

For assets test exemption to continue, the remaining term of the income stream (rounded up to the nearest whole number) must equal to the new owner's life expectancy rounded up to the nearest whole number; AND the new owner must have reached age pension age.

The income stream retains the same commencement date, purchase price and relevant number as the original income stream, regardless of whether it retains an asset test exemption or it is reclassified as asset tested. The gross payment may reduce as specified in the income stream contract.

For Life Expectancy or Market Linked income streams which commenced on or after September 2004

The income stream will continue to be asset test exempt on reversion to the reversionary partner (specified at the commencement of the income stream), as long as it is non-commutable for the reversionary partner. In all other cases, the income stream ceases to be asset test exempt on reversion.

In all cases, the income stream retains the same commencement date, purchase price and relevant number as the original income stream. For Life Expectancy income streams, the gross payment may reduce as specified in the income stream contract or governing rules of the fund. This reduction in payment will not affect the assets test exempt status of the reversionary income stream.

For Allocated or New Account Based income streams – the income stream will continue to be asset

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tested on reversion to a reversionary beneficiary upon the death of the primary beneficiary. Where there was a binding reversionary arrangement, the income stream retains the same commencement date, purchase price, relevant number and gross annual payment as the original income stream. Where there was no binding reversionary arrangement and reversion occurs at the sole discretion of the trustee or as a result of an election made by the reversionary beneficiary after the death of the primary beneficiary, then a new account based pension is created, with a new commencement date, new purchase price, new relevant number and new gross annual payment.

For Fixed Term income streams based on life expectancy - the income stream will continue to be asset test exempt on reversion to the reversionary partner (specified at the commencement of the income stream), as long as it is non-commutable for the reversionary partner. In all other cases, the income stream ceases to be asset test exempt on reversion.

The income stream retains the same commencement date, purchase price and relevant number as the original income stream. The gross payment may reduce as specified in the income stream contract or governing rules of the fund. This reduction in payment will not affect the assets test exempt status of the reversionary income stream.

### **Gross annual payment for allocated, new account based and market linked income streams**

#### **Income stream commences during the financial year**

Gross Annual Payment =  $[Sum\ of\ all\ payments\ already\ received\ and\ to\ be\ received\ during\ the\ financial\ year\ (excluding\ commutations)] \times [number\ of\ days\ in\ financial\ year \div number\ of\ days\ from\ commencement\ until\ 30\ June]$

Example 1: Jack, who is 65, commences an allocated income stream (i.e. Account Based Pension) on 15 January 2008. The purchase price is \$200,000 whilst the minimum pension payment is \$10,000 (i.e. \$200,000 x 5%). He elects to receive regular income of \$1,000 on the 15th of each month with the first payment on 15 February 2008. Jack will receive \$5,000 for the period, i.e. 15 January 2008 to 30 June 2008. For reporting purposes, the gross annual payment is calculated as:  $\$5,000 \times (366 \div 168) = \$10,893$

Example 2: On 15 April 2008, Jack elects to increase his monthly payments to \$1200 per month. He has already received \$2,000 (January to March 2008) and wants to receive an additional \$3,600 from April to June 2008.

Jack will receive \$5,600 for the financial year 2007/08 (15 January to 30 June 2008). For reporting purposes, the gross annual payment is calculated as:  $\$5,600 \times (366 \div 168) = \$12,200$

Note: The above calculations are based on a 'leap year'.

Example 3: Jill, who is 66, commences a pension on 15 June 2008 and she elects to use the 1 June rule. Jill will not receive a pension payment before 30 June 2008. For reporting purposes, the gross annual payment will be nil.

#### **Subsequent financial years after an income stream's commencement date**

Gross Annual Payment =  $[Sum\ of\ all\ payments\ already\ received\ and\ to\ be\ received\ during\ the\ financial\ year\ from\ 1\ July\ to\ 30\ June\ (excluding\ commutations)]$

Example 1: On 1 July 2008 the account balance is \$210,000 and the minimum pension payment will be \$10,500. Jack elects to receive \$1,000 per month for the financial year 2008/09, which is an annual amount of \$12,000. The gross annual payment to be reported on the Centrelink/DVA schedule is \$12,000.

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On 1 March 2009, Jack elects to increase his monthly payments to \$1,500 per month. He has already received \$8,000 (July 2008 to February 2009) and wants to receive an additional \$6,000 from March 2009 to June 2009.

Jack will receive \$14,000 for the financial year 2008/09. The gross annual payment to be reported on the Centrelink/DVA schedule from 1 March 2009 is \$14,000. This is calculated as: \$8,000 (July 2008 to February 2009) + \$6,000 from March 2009 to June 2009.

Example 2: Bill, who is 65, commences an allocated pension on 1 July 2008. The purchase price is \$300,000. He elects to receive \$2,000 a month for the financial year, which is an annual amount of \$24,000. The gross annual payment to be reported on the Centrelink/DVA schedule is \$24,000.

On 1 January 2009, Bill elects to reduce his monthly payments to \$1,000 a month. He has already received \$12,000 (July 2008 to December 2008) and will receive an additional \$6,000 from January 2009 to June 2009. Bill will receive \$18,000 for the financial year 2008/09. The gross annual payment to be reported on the Centrelink/DVA schedule from 1 January 2009 is \$18,000.

### **The Gross Annual Payment must never be reported as less than the required minimum payment**

In all cases, the Gross Annual Payment must never be less than the required minimum payment for a full financial year. If less than the required minimum payment is paid, Centrelink/DVA will assess the minimum payment for the financial year.

### **Six-monthly review of allocated, new account based pensions and market-linked income streams**

Centrelink writes to customers requesting particular details of their income stream. Customers are not required to provide an income stream schedule but can do so if they have a current schedule.

The February review letter is sent to customers receiving pension payments who are asset tested or income tested and are within \$10,000 of the asset test changeover point. It asks for account balance as at 31 December of the previous year and any commutations made in the current financial year.

The August review letter is sent to all customers receiving a Centrelink payment and asks for the account balance at 1 July, the new nominated annual income amount for that financial year and any commutations made in the previous financial year.

Centrelink has also arranged to get the details direct from some of the organisations that provide these products.

DVA writes to the income stream providers requesting new income stream schedules for their customers.