



For adviser use only

February 2022

How does commencing a lifetime annuity today count towards an individual's transfer balance account and total super balance?

Effect on an individual's transfer balance cap

The transfer balance cap was introduced on 1 July 2017 to limit the amount of superannuation that an individual can transfer into retirement phase income streams, including annuities. An individual will have their own transfer balance cap when they commence a retirement phase income stream.

An individual's transfer balance account is measured against their transfer balance cap to determine if they have exceeded the cap. Like account-based pensions, superannuation lifetime annuities commenced since 1 July 2017 have their commencement value credited towards the individual's transfer balance account and any withdrawal/commutation amount debited from their account.

Non-superannuation (ordinary money) lifetime annuities do not count towards an individual's transfer balance account.

Effect on an individual's total super balance

The total super balance rules were also introduced on 1 July 2017, along with the transfer balance cap.

An individual's total super balance can affect their eligibility to make non-concessional contributions (including under the bring-forward), ability to utilise carry forward unused concessional contribution cap space and access the Government co-contribution.

Broadly, an individual's total super balance is the sum of:

- the value/account balance of their accumulation phase superannuation interests;
- the value/account balance of their retirement phase account-based income streams;

An individual's transfer balance account is measured against their transfer balance cap to determine if they have exceeded the cap.

- where the individual has a transfer balance account, the value of their transfer balance account, excluding:
 - debits and credits associated with their account-based income streams;
 - debits associated with structured settlements;
- the value of any rollovers in transit between super funds; and
- in certain circumstances, the outstanding balance of any limited recourse borrowing arrangement they have in an SMSF.

The above is then reduced by any structured settlement contributions.

As lifetime annuities are not account-based income streams, their inclusion in an individual's total super balance would be from their inclusion in the individual's transfer balance account. That is, the lifetime annuity's commencement value (less any commutations) would be included in the individual's total super balance.

The information in this article is current as at 4 February 2022 unless otherwise specified and is provided by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger, our, we), the issuer of the Challenger annuities (Annuity(ies)). The information in this article is general information only about our financial products and is intended solely for licensed financial advisers or authorised representatives of licensed financial advisers, and is provided to them on a confidential basis. It is not intended to constitute financial product advice. This information must not be distributed, delivered, disclosed or otherwise disseminated to any investor, without our express prior approval. Investors should consider the applicable Annuity Target Market Determination (TMD) and Product Disclosure Statement (PDS) available at challenger.com.au and the appropriateness of the applicable product to their circumstances before making an investment decision. This information has been prepared without taking into account any person's objectives, financial situation or needs. Each person should, therefore, consider its appropriateness having regard to these matters and the information in the Target Market Determination (TMD) and Product Disclosure Statement (PDS) for the applicable Annuity before deciding whether to acquire or continue to hold the product. A copy of the TMD and PDS is available at challenger.com.au or by contacting our Adviser Services Team on 1800 621 009. Any examples shown in this article are for illustrative purposes only and are not a prediction or guarantee of any particular outcome. This article may include statements of opinion, forward looking statements, forecasts or predictions based on current expectations about future events and results. Actual results may be materially different from those shown. This is because outcomes reflect the assumptions made and may be affected by known or unknown risks and uncertainties that are not able to be presently identified. Where information about our products is past performance information, past performance is not a reliable indicator of future performance. Any illustrations involving taxation, Centrelink rules or benefits and/or Department of Veterans' Affairs rules or benefits are based on current laws at the date of currency specified in this article and these laws may change at a future date. Neither Challenger, nor any of its officers or employees, are a registered tax agent or a registered tax (financial) adviser under the *Tax Agent Services Act 2009* (Cth) and none of them is licensed or authorised to provide tax or social security advice. Before acting, we strongly recommend that prospective investors obtain financial product advice, as well as taxation and applicable social security advice, from qualified professional advisers who are able to take into account the investor's individual circumstances. In preparing this information about taxation, Centrelink rules or benefits and/or Department of Veterans' Affairs rules or benefits, Challenger relied on publicly available information and sources believed to be reliable, however, the information has not been independently verified by Challenger. While due care and attention has been exercised in the preparation of this information, Challenger gives no representation or warranty (express or implied) as to its accuracy, completeness or reliability. The information presented in this article is not intended to be a complete statement or summary of the matters to which reference is made in this article. To the maximum extent permissible under law, neither Challenger nor its related entities, nor any of their directors, employees or agents, accept any liability for any loss or damage in connection with the use of or reliance on all or part of, or any omission inadequacy or inaccuracy in, the information in this article. Challenger Life is not an authorised deposit-taking institution for the purpose of the *Banking Act 1959* (Cth), and its obligations do not represent deposits or liabilities of an authorised deposit-taking institution in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Challenger Life. **Accordingly, unless specified otherwise, the performance, the repayment of capital and any particular rate of return on your investments are not guaranteed by any Challenger ADI.**