

# HESTA Term Allocated Pension (TAP) information sheet

9 September 2024

A TAP provides a regular income stream to help meet your income needs using superannuation savings. The HESTA Term Allocated Pension (HESTA TAP) was closed to new members from 2 February 2018. This information sheet is a summary of how the product works and where you can access more details and get help with your account.

## About this information sheet

This information sheet provides members with a summary of the features, benefits and other matters that apply to the HESTA TAP. To be a HESTA TAP member you must have purchased the product prior to 2 February 2018 (primary member) or received it as a reversionary beneficiary and be receiving an income stream upon the death of the primary member.

The HESTA TAP is a type of income stream. That means it shares some similarities with the HESTA Income Stream including the investment options available to you and the fees and costs we charge. You can find more detailed information about the HESTA Income Stream on our website or in the *HESTA Income Stream Product Disclosure Statement (PDS)*. This HESTA TAP information sheet indicates where relevant information can be found in the *HESTA Income Stream PDS*.

The content of this information sheet is current at the time of preparation. However changes may occur because of amendments to legislation or regulations, HESTA rules or other reasons. For the most up to date information you can refer to the *HESTA Income Stream PDS*. To obtain a copy of the PDS call us on 1300 734 479, email [hestais@hesta.com.au](mailto:hestais@hesta.com.au) or visit [hesta.com.au/pds](https://hesta.com.au/pds).

Where a change to the product features or benefits occurs, we will issue a significant event notice (SEN).

You can access all SENs issued in the last two years from our website at [hesta.com.au/sen](https://hesta.com.au/sen).

Annual statements, significant event notices and other legislated disclosures will be available to you digitally rather than sending them to your postal address. This means we may publish the information on our website or in your online account at [hesta.com.au/login](https://hesta.com.au/login). We'll still contact you at your nominated contact details to notify you whenever new information is available and how to access it. If you'd prefer us to send information by post to your nominated contact address, you can opt out of each type of digital disclosure by updating your preferences in your online account or by calling us on 1300 734 479.

# How your HESTA TAP works

A HESTA TAP account provides you with a regular income, of at least one payment per year, over a defined period (the term). This type of income stream is sometimes referred to as a market linked pension because any earnings arise from the investment options you've invested in and how they have performed in the market in which they are invested. The period or term of the income stream was set on when the HESTA TAP was set up and cannot change, how long the income stream lasts will depend on the performance of your selected investment option(s) and the amount and frequency of the income stream payments you receive.

Read the following sections for more details on pension term as well as information on pension payments.

The term of your pension income stream is based on the life expectancy of the account holder or the nominated reversionary beneficiary when the account was set up.

## The HESTA TAP allows you to:

- receive tax-free investment earnings
- choose the payment frequency from the flexible options over a defined period
- receive a regular income paid directly to your bank account
- create your own investment strategy from a choice of 10 investment options
- nominate a beneficiary to receive any remaining account balance.

## How does my HESTA TAP impact my Age Pension?

Term allocated pensions are generally classified as 'complying' income streams for **Services Australia** purposes. A complying income stream is a non-commutable income stream commenced with superannuation money which, at the time the income stream was set up, met specific requirements to access favourable treatment under the income and assets tests, compared to some other types of income streams.

The income of a term allocated pension is assessed by **Services Australia** under the income test as total pension income less a 'deductible amount' that reflects a return of the purchase price. If your HESTA TAP was purchased prior to 20 September 2007, it is 50% exempt for the assets test. From 20 September 2007, all income streams purchased after this date are 100% counted for the assets test.

We notify **Services Australia** twice each year about your TAP account, but members can ask us at any time for an up-to-date schedule.

## Term of Income Stream

The pension term is the number of years your HESTA TAP is to be paid for. The term of your HESTA TAP was set at commencement and cannot be changed.

The term may have been based on the life expectancy of the primary member, or where the HESTA TAP was set up as a reversionary pension, the reversionary beneficiary's life expectancy. A term may also have been selected by the member as a period between their life expectancy or their reversionary beneficiary's life expectancy and the number of years in between to age 100 at the time of establishment.

Your TAP may not last for the rest of your life. Your account balance will rise and fall based on investment returns and pension payments.

## Your HESTA TAP will end at the earliest of:

- the end of the set term
- your account balance is zero
- you transfer your account to another complying income stream, or
- you pass away and haven't nominated a reversionary beneficiary for the TAP to continue.

## Income Stream payments

Your income payment will be paid to your nominated bank account which must be held in your name. It cannot be paid to you by cheque.

## Payment frequency

You can change the frequency of your payments to fortnightly, monthly, quarterly, half-yearly or yearly. For payment frequencies other than fortnightly, you can choose to receive payments on the 15th day or the 28<sup>th</sup> day of the month.

To change your income payment amount or frequency, complete the *HESTA Term Allocated Pension change of income payment amount and frequency* form, which is available online at [hesta.com.au/forms](https://hesta.com.au/forms) or by contacting us on 1300 734 479.

## Payment amount

The amount of income you receive is set on 1 July each year and will remain the same regardless of any changes in the value of your account during the year, except if the balance has reduced to zero.

### The minimum and maximum amount of your annual pension payment is based on:

- your account balance as at 1 July of the relevant year, and
- a payment factor calculated using the remaining term of your pension.

You can adjust the amount of the annual payment by 10% (up or down). This means that you can choose to have an income stream payment of between 90% and 110% of the annual payment amount provided that the payment you elect is greater than the minimum payment required.

Age on 1 July	Minimum annual payments
Under 65	<b>4%</b>
65-74	<b>5%</b>
75-79	<b>6%</b>
80-84	<b>7%</b>
85-89	<b>9%</b>
90-94	<b>11%</b>
95 or more	<b>14%</b>

In the final year of your pension term, the annual payment will be equal to the remaining balance of your HESTA TAP account.

## Lump-sum withdrawals

### Withdrawals (or commutations) from your HESTA TAP are only permitted if you satisfy one of the following circumstances:

- to give effect to a payment split under family law
- upon transfer to another complying income stream, or
- to satisfy a release authority issued by the Commissioner of Taxation.

## Investment options

HESTA TAP members can select from the 10 investment options also available to HESTA Income Stream members. Please refer to the section 'HESTA income stream investment options' in the *HESTA Income Stream PDS* for more information. You can also find out information about our investment options at [hesta.com.au/investments](https://hesta.com.au/investments).

You can change your investment options in your online account at [hesta.com.au/login](https://hesta.com.au/login). For more information on switching investment options please read the 'Investment switches' section of the *HESTA Income Stream PDS*. If you are a reversionary beneficiary of a HESTA TAP, you can change the investment choice once the HESTA TAP is in your name.

Nominated reversionary beneficiaries, where an investment choice hasn't been made, or the investment allocation is invalid you'll automatically be invested in the HESTA Balanced Growth investment option. The Ready-Made Investment Strategy and Retirement Reward are not available for HESTA TAP members.

If you die, any remaining balance in your HESTA TAP account can be paid to your dependant(s) and/or legal personal representative. When we receive a formal notification of your passing, your remaining account balance will be transferred into the Cash and Term Deposits investment option and will remain invested there until the Trustee finalises payment of the death benefit.

## Nominating beneficiaries

A HESTA TAP member had the option to nominate a reversionary beneficiary at the time the pension was established. The nominated reversionary beneficiary (generally a spouse) will automatically continue receiving the pension after the

primary member's death. Once the reversionary nomination is accepted, it is generally binding on the Trustee and is irrevocable. This means in most cases you cannot change your decision once you have nominated a reversionary beneficiary.

If you are the reversionary beneficiary of a HESTA TAP, you cannot nominate another reversionary beneficiary. You can only make a preferred or binding beneficiary nomination to receive the balance of your account if you die.

Refer to the 'binding nominations' and 'nomination of preferred beneficiary' sections in the *HESTA Income Stream PDS* for further information on nominating a beneficiary.

## contact us

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## Fees and costs

The fees and costs that apply to the HESTA TAP are the same as those that apply to the HESTA Income Stream. Please read the 'Fees and other costs' section of the *HESTA Income Stream PDS* for further information.

## Taxation

Earnings on investments in your HESTA TAP are tax free. Tax may apply to pension payments made from your HESTA TAP in some circumstances. Refer to the 'Tax' section of the *HESTA Income Stream PDS* for further information.

If your HESTA TAP commenced prior to 1 July 2017, your TAP is considered to be a 'capped defined benefit income stream' and will be subject to a defined benefit income cap. If your TAP income exceeds the defined benefit income cap, you may be subject to a further taxation and/or the loss of tax offsets. For more information on the defined benefit income cap, visit [ato.gov.au](https://ato.gov.au). We recommend you seek advice from your accountant about the tax consequences of your HESTA TAP.

## Transfer balance cap

The total amount of superannuation money that you can transfer to tax-free superannuation income streams is subject to a lifetime cap, known as the transfer balance cap (TBC). The method used to determine the value of your HESTA TAP that counts towards your TBC is based in part, on whether it was commenced on or before 1 July 2017.

Non-commutable income streams, including term allocated pensions that commenced prior to 1 July 2017, have a value determined for the purpose of your TBC based on a legislated formula. The formula is annual income multiplied by the remaining term. For a nominated reversionary beneficiary, the amount will count towards the TBC twelve months after the income stream first becomes payable to the beneficiary.

If your HESTA TAP commenced after 1 July 2017, amounts in excess of the TBC may need to be removed and subject to excess transfer balance tax.

You can check your TBC at [my.gov.au](https://my.gov.au) and for more information on the TBC visit [ato.gov.au](https://ato.gov.au).

We recommend you seek advice from your accountant about the tax consequences of your HESTA TAP.

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The Trustee is responsible for the administration and management of HESTA, in accordance with the law and the obligations and powers of the Trust Deed. The HESTA Trust Deed deals in part with the Trustee's responsibilities and obligations regarding the HESTA TAP product. It contains certain minimum provisions. Subject to the law and limitations of the Trust Deed, we can change the Trust Deed. The Trust Deed is available on our website at [hesta.com.au/disclosure](https://hesta.com.au/disclosure).