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QC 23234

When you can withdraw your super

The conditions of release that must be satisfied for legal superannuation withdrawals.

Last updated 10 July 2026

Conditions of super release

You can withdraw your super when **any of the following apply**:

- You turn 65 years old, even if you're still working.
- You reach your preservation age and choose to retire.
- You reach your preservation age, continue working, and start a **transition to retirement income stream**.
- You meet a condition that allows early access to your super.

Retirement

Retirement means you have ceased **paid employment** either:

- when you were 60 years old or over
- before you turned 60 years old **and** you have reached your preservation age.

Your superannuation fund must be satisfied you have no intention of becoming employed again in the future.

Learn more about options for withdrawing your super when you retire – see **Retirement withdrawal – lump sum or income stream**.

Preservation age

Your preservation age is **not the same** as your pension age. Check with Services Australia for the rules about accessing an age pension.

Your preservation age is the age at which you can access your super if you're either retired or you have started a transition to retirement income stream.

Your preservation age depends on when you were born, as shown in this table.

Preservation age based on date of birth

Date of birth	Preservation age (years)
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
From 1 July 1964	60

After your death

If a person dies, in most cases their super fund pays their remaining super interest to their nominated beneficiary.

Super that is paid after a person's death is called a **super death benefit**.

Accessing your super early

In very limited circumstances, you can access your super early.

These circumstances include:

- **medical, compassionate, hardship and incapacity grounds**
- accessing your **voluntary contributions** through the **First Home Super Saver scheme**
- being a **temporary resident** who is leaving Australia
- having a **low super balance**, such as a
  - **super account balance of less than $200** after your employment is terminated
  - **lost super account** with a balance of **less than $200**.

Illegal early access schemes

It is illegal to withdraw your super unless you satisfy a condition of release.

Beware of people promoting early-access to super schemes. Participating in **illegal early access schemes** will cost you a lot more than the super you withdraw.

QC 44996

Retirement withdrawal – lump sum or income stream

The difference between a lump sum withdrawal of super and a retirement income stream and their tax consequences.

Last updated 31 March 2026

Super withdrawal options

When you meet the retirement **condition of release**, you can usually choose to withdraw your super as either a:

- super lump sum
- super income stream
- combination of both.

Check with your super fund to find out your options.

The super withdrawal option you choose may affect the:

- tax you pay (including tax on investment earnings)
- amount of money you have for your retirement.

Pensions and other benefits

If your super benefits won't fully support you when you retire, you may also qualify for Australian Government support, such as the age pension, service pension or other benefits.

If you're retired or have turned 60, you may be eligible for **tax offsets**. This will depend on your income and assets, where your income comes from, and whether you're fully or partly retired.

Relevant offsets are the:

- **Seniors and pensioners tax offset** (only available if you qualify for the age pension)

- Lump sum payment in arrears tax offset
- Super income stream tax offset.

Other tax offsets you may be eligible for include:

- Spouse super contributions tax offset
- Low income tax offset.

Super income stream tax offset

A super income stream is a series of regular payments from your super fund. If you receive income from an Australian super income stream, you may be eligible for a tax offset equal to:

- 15% of the taxed element
- 10% of the untaxed element.

The tax offset amount available to you on your taxed element will be shown on your *PAYG payment summary – superannuation income stream*.

The tax offset amount you can claim on your untaxed element **won't** be shown on your payment summary and is subject to a maximum (cap).

Maximum super income stream tax offset

Income years	Maximum tax offset
2026–27	$13,125
2025–26	$12,500
2023–24 to 2024–25	$11,875
2021–22 to 2022–23	$10,625
2017–18 to 2020–21	$10,000

Check if you can claim

To work out if you can claim a tax offset on your untaxed element, use the **Defined benefit income cap tool**.

You can't claim a tax offset for the **taxed element** of any super income stream you receive before you reach your **preservation age**, except where the super income stream is either a:

- disability super benefit
- death benefit income stream.

You can't claim a tax offset for the **untaxed element** of any super income stream you receive before you turn 60 years old, unless both the following apply:

- The super income stream is a death benefit income stream.
- The deceased died after they turned 60 years old.

To claim the offset, see **T2 Australian superannuation income stream tax offset**.

Super lump sum

If your super fund allows it, you may be able to withdraw some or all of your super in one or more 'lump sum' payments. However, if you ask your fund to make regular payments from your super it may be an super income stream.

Once you take a lump sum out of your super, it is no longer considered to be super. If you invest the money, earnings on those investments are:

- not taxed as super
- may need to be declared in your tax return.

Super income stream

A super income stream involves a series of regular payments from your super fund which are paid at least annually.

Your super income stream may be either:

- an account-based super income stream including
  - regular payments from a retirement phase account
  - a transition to retirement income stream
  - a market-linked pension that started on or after 1 July 2017
- a capped defined benefit income stream including
  - a lifetime pension, regardless of when it started
  - a lifetime annuity, life expectancy pension or annuity, or market-linked pension or annuity that existed before 1 July 2017
- an innovative retirement income stream

- a deferred lifetime product that did not meet the annuity and pension standards before 1 July 2017.

Super income streams (also known as pensions or annuities) are a popular option for retirees because they help you manage your income and spending. Depending on your circumstances, income streams may also have tax advantages.

To start a super income stream you need to either transfer super into a **retirement phase** account (which is capped) or start a transition to retirement income stream. Ask your super fund how to do this.

Account-based income stream

An account-based income stream allows you to draw a regular income once you retire.

Your super fund normally continues to invest the money in your super account and adds returns from investments to your account. Your account balance fluctuates with market performance.

When you transfer super into a retirement phase account, investment earnings on funds in the account are not taxed.

There is a lifetime limit on the maximum amount you can transfer into one or more tax-free retirement phase accounts. This is your **transfer balance cap**.

Once you start your income stream, you're unable to add more money to it. Make sure you have made all contributions (including rollover amounts) to your super provider before your income stream starts. Any contributions made after your income stream starts will be put into a new super account with your provider.

Income stream withdrawals and payments

Each year you can withdraw as much as you like through your account-based super income stream, unless you're receiving a transition to retirement income stream.

You must withdraw a **minimum amount** each year – based on your age and account balance – or the income stream stops, in which case there may be income tax implications.

The payments don't need to be at the same interval, and the amount paid may also vary. You must receive at least one payment every financial year.

If your provider's rules allow it, you can stop your income stream or change the amount of your regular payments. However, there may be income tax implications if you stop your income stream part way through the year.

You can continue to receive your super income stream until there is no money in your account.

If there is money left in your super account when you die, it may go to a dependant beneficiary you nominated to your super fund or it may become part of your estate (see **Superannuation death benefits**).

Example: account-based income stream

Danny turns 56 years old during 2016–17 and retires on 8 October 2016. He immediately starts an account-based income stream that he receives in monthly payments. In 2016–17, he decides to make a partial commutation from his income stream as a lump sum.

Before he receives the partial commutation (lump sum) payment, Danny elects to treat his income stream benefit as a super lump sum for tax purposes. He has previously used $25,000 of his low rate cap in 2015–16; therefore $170,000 of this cap is still unused (see **Superannuation death benefits**).

On 29 August 2016, he receives the partial commutation of $28,000 from his self-managed super fund (SMSF). The lump sum has only a taxable component that was taxed in the fund. The fund doesn't withhold any tax from the payment.

Danny includes the $28,000 as assessable income in his 2016–17 tax return. He receives a super lump sum tax offset – which means that the rate of income tax on the lump sum is nil because the taxable component ($28,000) doesn't exceed his unused low rate cap.

Danny continues his income stream in 2017–18 and again decides to take a partial commutation payment. The partial commutation now meets the definition of a super lump sum and no election is required. He has previously used $53,000 of his low rate cap; therefore, $147,000 of the cap remains.

On 20 December 2017, he receives the lump sum payment of $25,000 from his SMSF. The lump sum has only a taxable component that was taxed in the fund. The fund doesn't withhold tax from the payment.

Danny includes the $25,000 as assessable income in his 2017–18 tax return. He receives a super lump sum tax offset – which means that the rate of income tax on the lump sum is nil because the taxable component ($25,000) doesn't exceed his unused low rate cap.

Danny's commuted amount in 2017–18 doesn't count towards the minimum annual pension payment requirement for super income streams. To meet this requirement, Danny would also need to make sure he receives at least the minimum pension payments during the financial year.

Transition to retirement income stream

Once you reach your **preservation age** you may be able to receive regular payments (an income stream) from your super provider while you continue working. You can do this by starting a transition to retirement income stream (TRIS). This will allow you to either:

- reduce your working hours without reducing your income
- continue working and salary sacrifice to boost your super.

A TRIS must be an account-based income stream that can't be converted into a lump sum until the member meets a condition of release with nil cashing restrictions. This is called a non-commutable super income stream.

There are restrictions on the amount you withdraw via a TRIS in a financial year. For example, if you're under 65 years old, until you've met a condition of release with a nil cashing restriction you must receive between 4% and 10% of the balance of money in your super account each financial year. Note: The minimum amount was reduced to 2% for the 2019–20 to 2022–23 years.

Once you have met a condition of release with a nil cashing restriction – such as reaching preservation age and retiring or turning 65 irrespective of whether you're retired – you can access your super benefits in other ways and don't need a TRIS. In these cases, your provider will start paying you a normal account-based pension or you can take your benefit as a lump sum.

You should seek independent financial advice to help decide if a TRIS is right for you.

You don't have to advise your employer you're receiving a TRIS or advise your super fund you're receiving employment income.

You will need to decide from which payer to claim the tax-free threshold on your **Tax file number declaration**. If you claim the tax-free threshold with both payers, you may end up with a tax liability at the end of the income year.

A TRIS is only treated as **exempt current pension income** and count towards your transfer balance account when it's in the retirement

phase. A TRIS moves into the retirement phase when the member meets one of the following conditions of release:

- reach 65 years of age
- retire after reaching preservation age
- are permanently incapacitated
- have a terminal medical condition.

Satisfying a condition of release with a nil cashing restriction (as above) means that the pension is no longer subject to the restrictions that are generally characteristic of a TRIS.

A TRIS will move automatically to the retirement phase as soon as the member reaches 65 years old. For the other conditions of release previously listed, the member needs to notify their super provider for the TRIS to move to the retirement phase.

For more information on when a TRIS is in the retirement phase see GN 2019/1 *Changes to transition-to-retirement income streams*.

Example: transition to retirement income stream

Jodi is 57 years old in 2016–17. In addition to her income from employment ($40,000 per year), she starts a TRIS from her self-managed super fund (SMSF) part-way through the financial year. Jodi receives 3 payments of $12,000 in 2016–17. As she has received no previous super lump sums, the full $195,000 low rate cap is available to her (see **Superannuation death benefits**).

Of the $36,000 in benefits Jodi receives benefits, the tax-free component is $3,600 and the taxable component (taxed in the fund) is $32,400.

Before she receives each payment, Jodi elects to treat her TRIS benefits as super lump sums for tax purposes.

In her 2016–17 tax return, Jodi:

- doesn't include the tax-free component of $3,600, as it is non-assessable non-exempt income
- includes the taxable component of $32,400 as assessable income
- receives a super lump sum tax offset. This means that the rate of income tax on the lump sums is nil because the taxable component ($32,400) doesn't exceed her unused low rate cap.

Jodi continues to receive quarterly TRIS benefits in 2017–18, totalling $48,000. She is no longer able to make the elections to treat the TRIS benefits as super lump sums.

In her 2017–18 tax return, Jodi:

- doesn't include the tax-free component of $4,800, as it is non-assessable non-exempt income
- includes the taxable component of $43,200 as assessable income
- is taxed at her marginal tax rate
- receives a tax offset of 15%.

As Jodi hasn't met a nil cashing release, her SMSF wouldn't be eligible for exempt current pension income on the TRIS.

Capped defined benefit income stream

A defined benefit interest is generally an interest for which the benefits payable are defined by reference to a specified amount or formula. This is commonly the member's salary at a particular time or an average salary for a particular period.

These are generally fixed term or lifetime pensions and annuities.

Rather than drawing payments out of your super account, you have an agreement with your super provider that they will pay you a regular income, usually guaranteed for life or for a fixed term.

This type of income stream is generally paid from a government super scheme or life insurance company. It offers certainty by providing a fixed income over a set period of time.

If you're receiving a super income stream from a defined benefit interest, you should check with your super provider to determine if it is a capped defined benefit income stream.

If you have a capped defined benefit income stream, your provider will calculate and report to us the 'special value' of your income stream, and this value will count towards your **transfer balance cap**.

Capped defined benefit income streams include:

- lifetime pensions, regardless of when they started
- lifetime annuities that existed before 1 July 2017
- life expectancy pensions and annuities that existed before 1 July 2017

- market-linked pensions and annuities that existed before 1 July 2017.

Innovative retirement income stream products

Innovative retirement income streams include a range of lifetime products that didn't meet the annuity and pension standards before 1 July 2017.

For a retirement product to be considered an innovative income stream it must meet all of the following conditions:

- Similar to an ordinary account-based income stream, the provider is not able to start paying benefits until you have met a nil cashing restriction condition of release. However, the difference with these products is that the start date for benefit payments is deferred until a later event, usually age-related. This is agreed on when you sign up for the product.
- Once benefit payments start, they must be made at least annually and be payable for your remaining lifetime (and any primary or reversionary beneficiaries). There can be no unreasonable deferral of payments from the income stream.
- There are restrictions on the amount that you can commute and take as a lump sum payment or rollover within the super system. These restrictions apply after the income stream enters the retirement phase and are based on a declining capital access schedule.

Tax on innovative retirement income stream products

Similar to other super income streams, a payment made from an innovative income stream is a super benefit. The **tax treatment** of benefits depends on several factors, including:

- your preservation age and the age you will be when you get the payment
- whether you have tax-free or taxable components, or a combination of both components, in your super account.

Difference between an innovative income stream and an account-based income stream

There are several differences between an account-based income stream and an innovative account-based income stream. For innovative income streams:

- you still need to have either retired, turned 65 years old, have a permanent incapacity or have a terminal medical condition before benefits will be paid to you

- the start date of your benefits is deferred until a later date. This date will be agreed on when you sign up for the product
- you will continue to receive benefits even if the original capital you invested is exhausted
- the amount you receive as a benefit payment is determined by the product and your contract with the provider, and you're not able to vary the amount
- the amount you are able to rollover or take as a lump sum is determined by a capital access schedule.

Innovative income streams and the transfer balance cap

Innovative income streams count towards your transfer balance cap when they become a retirement phase income stream. This happens when you retire, turn 65, or have a permanent incapacity or a terminal medical condition, even if you have not yet started to receive benefits.

Any extra capital you add to your innovative income stream after it becomes a retirement phase income stream also count towards your transfer balance cap.

When a super income stream stops

Your super income stream stops when:

- there is no money left in your super account (though you may still have money in super outside of this account)
- a minimum annual payment is not made
- you convert a super income stream into a super lump sum (you commute it)
- you die, unless you have a dependant beneficiary who is automatically entitled to receive the income stream.

Other reasons your super income stream may stop will be set out in the governing rules of your super fund.

Minimum annual payment

Your super income stream stops for income tax purposes if your fund doesn't make the minimum annual payment.

What this means for you

If your fund doesn't make the minimum annual payment, your income stream is taken to have stopped at the start of that financial year. It will no longer be in retirement phase.

This means that all payments you receive after the income stream is taken to have stopped are treated as super lump sum payments for income tax purposes. You may have to pay additional tax (see **Tax on super benefits**). In addition, the earnings in your super account will cease to be tax-free.

To receive a super income stream for income tax purposes in future years, you will be required to commute the income stream and commence a new one.

Commutation

Commutation is the process of converting some or all of a super income stream into a super lump sum.

If the rules applying to your super income stream, and your provider allow, you can fully or partially commute your income stream to stop or change the amount of your income stream. You can then either:

- take a lump sum benefit in cash
- roll the lump sum back into an accumulation account
- roll the lump sum over to purchase one or more other super income streams.

Full commutation

Your super income stream stops when you request to fully commute your income stream payments to a lump sum payment.

The minimum annual payments rule still applies (on a pro-rata basis) to the income stream payments you receive before a full commutation. This amount is based on the number of days in the income stream payment period:

> Minimum annual amount × (days in payment period ÷ days in financial year)

Partial commutation

Partial commutations of an account-based pension don't count towards the minimum pension payment. Payment resulting from a partial commutation is treated as a lump sum for tax purposes.

After your death

Your super income stream stops when you die, unless you have a dependant beneficiary and they're automatically entitled to receive the income stream.

Whether your income stream automatically transfers to your dependant depends on the governing rules of your super fund. The

rules must specify who is entitled to receive the benefits and whether they will be paid as an income stream or lump sum.

The rules may give the trustee discretion to pay either a lump sum or income stream to a dependant beneficiary. If your fund's trustee has this discretion, your income stream doesn't automatically transfer and stops when you die. If the trustee ultimately decides to pay the relevant dependant beneficiary a super income stream, a new super income stream starts at that time.

What this means for you

You should contact your super fund to check how the rules apply when you die and if your dependant is automatically entitled to receive a super income stream.

For more information, see **Superannuation death benefits**.

Transfer balance cap

There is a lifetime limit on the amount you can transfer into one or more tax-free retirement phase accounts. This is called your transfer balance cap.

You can start multiple super income streams in retirement phase as long as you remain below the cap. The balance of all your super income streams in retirement phase are taken into account when working out the total of your interests transferred into retirement phase.

For the purpose of the transfer balance cap, your retirement phase interests:

- include all of your retirement phase income streams, including capped defined benefit income streams and market linked pensions
- don't include interests in foreign super funds or entitlement to the age pension (or other types of government payments)
- are recorded in your **transfer balance account**.

When you start a retirement phase income stream **for the first time**, you will have a personal transfer balance cap equal to the **general transfer balance cap** at that time. From 1 July 2026, this is $2.1 million.

If you had a retirement phase income stream **before** 1 July 2026, your personal transfer balance cap will be:

- your transfer balance cap that applied at the date at which you first exceeded it, if you exceeded your transfer balance cap at any time between 1 July 2017 and 30 June 2026

- between $1.6 and $2 million (in all other cases), based on the highest ever balance of your transfer balance account.

The general transfer balance cap, on which your personal transfer balance cap is based, is increased in line with the consumer price index in $100,000 increments.

You can use **ATO online services** to view your personal transfer balance cap and your transfer balance account (including any excess over your cap), which records all the debits and credits that make up your balance.

1. Sign in to myGov.
2. Select **Australian Taxation Office**.
3. Select **Super**, then **Information**, then **Transfer balance cap**.

If you don't have a myGov account, **create one and link it to the ATO**.

For more information on how your cap is worked out, see **Calculating your personal transfer balance cap**.

If you **exceed your personal transfer balance cap**, you need to:

- reduce the excess in your transfer balance account
- pay excess transfer balance tax.

If you're a beneficiary of a death benefit income stream, see **Superannuation death benefits** for more information.

Defined benefit income caps

The transfer balance rules apply differently if you receive a capped defined benefit income stream. You usually can't transfer or remove excess amounts from these income streams.

The defined benefit income cap applies to income received from capped defined benefit income streams. The defined benefit income cap is set at $131,250 for the 2026–27 income year. It increases over time based on indexation of the general transfer balance cap.

The defined benefit income cap may be reduced in some circumstances, including if you:

- are receiving a capped defined benefit income stream and turn 60 years old part-way through the year, and therefore start receiving concessional tax treatment for that income
- start a capped defined benefit income stream with concessional tax treatment for the first time, part-way through the year

- start receiving a death benefit (reversionary) defined benefit income stream with concessional tax treatment part-way through the year.

Capped defined benefit income streams are subject to additional income tax rules where either:

- the recipient is 60 years old or older
- a dependant receives death benefits from a deceased person 60 years old or older.

For more information, see **Transfer balance cap – capped defined benefit income streams.**

Calculating your personal transfer balance cap

How your personal transfer balance cap is calculated.

Transfer balance account

Check your transfer balance account to see what your super funds have reported and your personal transfer balance cap.

Excess transfer balance

What you need to do if the amount you've transferred into retirement phase exceeds your transfer balance cap.

Transfer balance cap - capped defined benefit income streams

How the transfer balance cap rules apply to capped defined benefit income streams.

QC 73093

Calculating your personal transfer balance cap

How your personal transfer balance cap is calculated.

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Your personal transfer balance cap

Your transfer balance cap is a lifetime limit on the amount you can transfer into one or more retirement phase accounts. The earnings on an account in retirement phase are tax free.

When you start a retirement phase income stream **for the first time**, you will have a personal transfer balance cap equal to the **general transfer balance cap** at that time.

The general transfer balance cap is increased (indexed) in line with the consumer price index in $100,000 increments.

View your transfer balance cap

In **ATO online services** you can view your personal transfer balance cap and your transfer balance account (including any excess over your cap), which records all the debits and credits that make up your balance. Follow these steps:

1. Sign in to myGov.
2. Select **Australian Taxation Office**.
3. Select **Super**, then **Information**, then **Transfer balance cap**.

Indexation of your personal transfer balance cap

If you have never used the full amount of your personal transfer balance cap, when the general transfer balance cap is indexed, your personal transfer balance cap will be indexed based on the highest ever balance of your transfer balance account.

If your highest ever balance in your transfer balance account equals or exceeds your personal transfer balance cap, you will not be eligible for indexation.

In this situation, the ATO uses information reported by your funds to calculate your personal transfer balance cap by:

- identifying the highest ever balance in your transfer balance account
- using that to work out the unused cap percentage of your transfer balance account

- multiplying your unused cap percentage by the general transfer balance cap index increase.

You can calculate your unused cap percentage by:

- dividing the highest ever balance of your transfer balance account by your transfer balance cap on the first day you had that balance
- expressing that as a percentage, rounded down to the nearest whole number
- subtracting that percentage figure from 100 (to give you the unused cap percentage).

This is shown in the following examples.

Example: highest balance equalled transfer balance cap before 1 July 2026

Maryanne started a pension in her self-managed super fund (SMSF) valued at $2 million on 1 December 2025. On 1 July 2026, she commuted $400,000.

The balance of her transfer balance account just before indexation started on 1 July 2026 was $1.6 million. Maryanne wasn't entitled to indexation as her highest ever balance was equal to her personal transfer balance cap and her personal transfer balance cap remained at $2 million.

She will have cap space available to start a new retirement phase income stream to the value of $400,000.

Example: transfer balance account reduced to zero before indexation

Simon started a pension valued at $2 million on 1 July 2025 and has other assets in super. He commutes his pension in full on 30 June 2026 and gets a debit of $2 million in his transfer balance account on that day. The balance of Simon's transfer balance account at the end of the day on 30 June 2026 is nil.

Simon plans to start a new pension valued at $2.1 million on 1 July 2026 to take advantage of the increased general transfer balance cap.

Simon isn't entitled to proportional indexation of his personal transfer balance cap as his highest ever balance before indexation was equal to his personal transfer balance cap. His personal transfer balance cap remains at $2 million.

If Simon starts a new pension valued at $2.1 million, he will have an excess transfer balance that he would need to commute. He would also have to pay excess transfer balance tax.

Example: highest balance of more than $2 million – not entitled to proportional indexation

Shazhad, a retired public servant, started a lifetime defined benefit pension on 4 April 2026, when he was over 60 years old. The pension is a capped defined benefit income stream for the purposes of the transfer balance cap. The special value of the pension (which is the annual entitlement multiplied by 16) for transfer balance account purposes is $2.2 million.

As Shazhad's capped defined benefit income stream is his only retirement phase income stream, he only has credits in his transfer balance account from this income stream. He hasn't had an excess transfer balance as a capped defined benefit income stream won't give rise to an excess transfer balance by itself.

He also hasn't had to commute the excess transfer balance, plus excess transfer balance earnings, or pay excess transfer balance tax. However, Shazhad may have to pay additional income tax if this capped defined benefit income stream exceeds a separate **defined benefit income cap**.

As the highest balance of Shazhad's transfer balance account before indexation was more than his personal transfer balance cap, he won't be entitled to proportional indexation.

Example: highest ever balance below $1.6 million before indexation with credits

Nina started a retirement phase income stream with a value of $1.2 million on 1 October 2018 and her cap was $1.6 million.

The general transfer balance cap was indexed by $100,000 to $1.7 million from 1 July 2021. There were no more events in Nina's transfer balance account before indexation. The highest ever balance in her transfer balance account is $1.2 million. Nina's unused cap percentage is 25% of $1.6 million.

Nina's personal transfer balance cap was indexed by 25% of $100,000 (increment amount) when indexation started on 1 July 2021, increasing her personal transfer balance cap to $1.625 million.

The general transfer balance cap was indexed by $200,000 to $1.9 million from 1 July 2023. Nina's personal transfer balance cap is increased to $1,675,000 (25% of the $200,000 increase to the general transfer balance cap).

Nina started a $400,000 retirement phase income stream on 1 October 2023. This increased the balance of her transfer balance account to $1.6 million. This is a credit event in Nina's transfer balance account before indexation.

Nina's highest ever transfer balance is $1.6 million.

Nina's new unused cap percentage is calculated as follows:

- 0.95522 being $1.6 million (highest ever balance of her transfer balance account) divided by $1.675 million (transfer balance cap on the first day she had that balance)
- 95% expressed as a percentage, rounded down to the nearest whole number
- subtract 95 from 100 = 5%.

The general transfer balance cap was indexed by $100,000 to $2 million from 1 July 2025. Nina's personal transfer balance cap is indexed by 5% of $100,000 on 1 July 2025, increasing it by $5,000 to $1.68 million.

There are no more events in Nina's transfer balance account before indexation on 1 July 2026. The highest ever balance in her transfer balance account remains at $1.6 million. Nina's personal transfer balance cap will be indexed by 5% of $100,000 on 1 July 2026, increasing it by $5,000 to $1,685,000.

Example: highest ever balance below $2 million before indexation with debits

Leanne started a $1 million retirement phase income stream on 1 October 2025, and her cap was $2 million.

On 13 May 2026, Leanne commuted $200,000 from her pension. Her transfer balance account was debited by $200,000.

Although the balance of Leanne's transfer balance account when indexation started on 1 July 2026 was $800,000, the highest ever balance of her transfer balance account was $1 million.

Leanne's personal transfer balance cap is indexed by 50% of $100,000 (the increment) on 1 July 2026, increasing it to $2.05 million.

Example: transfer balance account started after indexation

Nada started a retirement phase income stream, with a value of $490,000, on 14 May 2024 and her cap was $1.9 million.

There are no more recent events in her transfer balance account. Nada's personal transfer balance cap on 14 May 2024 was $1.9 million.

Nada's unused cap percentage is calculated as follows:

- 0.25789 being $490,000 (highest ever balance of her transfer balance account) divided by $1.9 million (transfer balance cap on the first day she had that balance)
- 25% expressed as a percentage, rounded down to the nearest whole number
- subtract 25 from 100 = 75%.

Nada's personal transfer balance cap is indexed by 75% of $100,000 (the increment) on 1 July 2025, increasing it to $1.975 million, when the general transfer balance was indexed to $2 million.

Example: Starting another retirement phase income stream

Nada then started another retirement phase income stream, with a value of $510,000 on 10 October 2025 and her cap was $1.975 million.

Nada's unused cap percentage is calculated as follows:

- 0.50632 being $1,000,000 (highest ever balance of her transfer balance account) divided by $1.975 million (transfer balance cap on the first day she had that balance)
- 50% expressed as a percentage, rounded down to the nearest whole number
- subtract 50 from 100 = 50%.

Nada's personal transfer balance cap will be indexed by 50% of $100,000 (the increment) on 1 July 2026, increasing it to $2.025 million, when the general transfer balance is indexed to $2.1 million.

QC 60627

Transfer balance account

Check your transfer balance account to see what your super funds have reported and your personal transfer balance cap.

Last updated 18 June 2025

Your transfer balance account

Your transfer balance account records in effect how much super you have transferred into retirement phase interests, less any amounts in retirement phase you have taken as lump sums.

Your transfer balance account is:

- credited when you transfer money into a retirement phase account (normally this is when a new retirement phase account is created) or your transition to retirement income stream moves into retirement phase
- debited when you commute or remove money from retirement phase.

Some other events will also result in credits and debits.

The balance of your transfer balance account is compared with your personal transfer balance cap to determine:

- whether you have **exceeded** your **personal transfer balance cap** at the end of a particular day
- your available cap space that would allow you to add to your interests in retirement phase
- if you're entitled to proportional indexation.

You will only have one transfer balance account for all your retirement phase interests, and it remains active until your death.

Special rules apply for **child recipients of a death benefit income stream**.

Your transfer balance account starts on either:

- the day you first receive a retirement phase income stream after 1 July 2017
- 1 July 2017, if you were already receiving a retirement phase income stream on 30 June 2017.

Your transfer account balance and **total superannuation balance** are calculated differently and used for different purposes. Your total super balance is relevant when working out your contribution caps and eligibility for other super related measures, including co-contributions and the spouse tax offset. Some of these measures set the limit for the total super balance as being equal to the general transfer balance cap.

View your transfer balance account

You can view your account, including available cap space, in **ATO online services**.

1. Sign in to myGov.
2. Select **Australian Taxation Office**.
3. Select **Super**, then **Information**, then **Transfer balance cap**.

Exceeding your personal transfer balance cap

If you exceed your personal transfer balance cap, you may have to:

- commute the excess into a lump sum payment or back into accumulation phase
- pay tax on the notional earnings related to the excess.

For more information, see **Excess transfer balance.**

If investment earnings on your retirement phase account results in its balance exceeding your personal transfer balance cap, you won't exceed your cap. If the amount in your retirement phase account goes down over time, you can't top it up if you've already used all of your personal cap space.

Different tax rules apply to **capped defined benefit income streams**. You usually can't transfer or commute excess amounts from these income streams.

Example: investment earnings effect on transfer balance cap

Richard started a pension valued at $1.6 million on 1 July 2017. This uses up all his personal transfer balance cap. Richard would not be entitled to future indexation.

By 1 July 2019, the value of that pension account had grown to $2 million. As this growth is due to investment earnings, Richard has not exceeded his personal transfer balance cap.

On 30 June 2020, the value of that pension account had fallen to $1 million due to the impact of COVID-19 on the assets supporting the pension. Richard can't top up his pension account with money he holds in his accumulation account because he has already used all his personal cap space.

Managing your transfer balance account

Your transfer balance account records transfers into and out of retirement phase as credit or debit events.

All of your retirement phase income streams are taken into consideration, including capped defined benefit income streams and market linked pensions.

The value of your superannuation interests is calculated by your super fund and reported to us. If you believe the value reported is incorrect you should contact your super fund. You can view your personal transfer balance cap, available cap space and transfer balance account transactions in ATO online services.

Credits to your account

Generally, a credit arises in your transfer balance account when you become the recipient of a super income stream that is in retirement

phase.

The following circumstances will result in a credit in your transfer balance account:

- super income streams that were in existence just before 1 July 2017 and you continue to receive them after that date – including both reversionary and non-reversionary death benefit income streams
- new super income streams that started after 1 July 2017 – including both reversionary and non-reversionary death benefit income streams
- when a transition to retirement income stream enters retirement phase
- repayments from a limited recourse borrowing arrangement under a contract entered into on or after 1 July 2017
- **excess transfer balance earnings**.

These credits increase your transfer balance account and reduce your available personal cap space.

Super income streams

A **super income stream** is a series of periodic benefit payments to a member. This includes both reversionary and non-reversionary death benefit income streams and can be either:

- account-based income streams (the amount supporting the income stream is allocated to a member's account)
- non-account-based income streams, including capped defined benefit income streams. (These are income streams that don't have an identifiable account balance in the member's name. The member receives regular payments, usually guaranteed for life).

A reversionary income stream automatically reverts to a nominated beneficiary on the death of its current recipient.

Account-based income stream

If you were receiving an account-based super income stream just before 1 July 2017, and you continued to receive it after that date, your fund will have reported the value on 30 June 2017 of all the super interests that support the income stream in retirement phase that you were receiving at that time.

If you started an income stream after 1 July 2017, your fund will report the commencement value of the super income stream. This includes death benefit incomes streams and market linked pensions.

Transition to retirement income streams (TRIS) that are in retirement phase are also included in the transfer balance account. Your TRIS will start to count towards your transfer balance cap on the day it becomes a retirement phase income stream, based on its value on that day. A TRIS isn't in retirement phase until the member meets a condition of release with a nil cashing restriction.

Capped defined benefit income streams

Capped defined benefit income streams are treated differently because you can only commute these income streams in limited circumstances.

Capped defined benefit income streams are:

- lifetime pensions, regardless of when they start
- lifetime annuities that existed just before 1 July 2017
- life expectancy pensions and annuities that existed just before 1 July 2017
- market-linked pensions and annuities that existed just before 1 July 2017.

The modified value of a capped defined benefit income stream is referred to as the 'special value', which will be calculated by your superannuation provider.

A capped defined benefit income stream won't give rise to an excess transfer balance by itself. However, you may have an excess transfer balance when you have a combination of both an account-based income stream and a capped defined benefit income stream.

If the combined value of the account-based income stream and the 'special value' of the capped defined benefit income stream exceeds your personal transfer balance cap, you will be required to commute the excess transfer balance from the account-based income stream.

From 7 December 2024, individuals have until 6 December 2029 to fully commute a range of legacy pension products. These include capped defined benefit income streams.

For more information, see:

- Changes to reserve allocations
- Relaxed commutation rules for legacy retirement products
- Transfer balance cap – capped defined benefit income streams

Reversionary income streams

The value of your reversionary super income stream is calculated at the time you first become entitled to payments from it. This is usually the date of death of the original member. A credit arises in your transfer balance account for this value, 12 months after the date of death. However, your fund will report this to us once you become eligible to receive it.

Example: receiving a reversionary death benefit income stream

Mia retires and starts an account-based income stream valued at $1 million on 1 January 2018. Mia's transfer balance account starts on 1 January 2018 and is credited with $1 million (the value of her retirement phase income stream). She still has $600,000 of personal transfer balance cap space available.

On 20 September 2018, Mia's husband Marc dies. Marc's reversionary account-based income stream (valued at $800,000 at the time of his death) reverts to Mia.

Mia's transfer balance account will be credited with $800,000. However, the credit will not arise in her transfer balance account until 20 September 2019, 12 months after Marc's death, giving Mia time to plan her financial affairs.

On 2 June 2019, Mia partially commutes $200,000 out of her account-based income stream as a lump sum, creating a debit of $200,000 in her transfer balance account.

On 20 September 2019, Mia's transfer balance account is credited with $800,000 (the value of Marc's income stream on the date of his death). Mia's transfer balance is $1.6 million and as she has no personal transfer balance cap space remaining, it is not entitled to future indexation.

Transactions in Mia's transfer balance account

Date	Transaction	Debit	Credit	Transf balan
1 January 2018	Superannuation income stream	$0	$1,000,000	$1,000,0
2 June 2019	Member commutation	$200,000	$0	$800,0
20 September 2019	Superannuation income stream	$0	$800,000	$1,600,0

– reversionary

Limited recourse borrowing arrangements

A credit will arise in your transfer balance account in relation to a payment made by a super fund under a **limited recourse borrowing arrangement** (LRBA) that was entered into on or after 1 July 2017 where both:

- the payment results in an increase in the value of the super interest that supports your super income stream in the retirement phase
- your super interest is in a self-managed super fund (or another complying super fund with less than 7 members).

Excess transfer balance earnings

If you have **exceeded your personal transfer balance cap**, we will credit your transfer balance account with the earnings that accrue on your excess transfer balance amounts.

We will advise you of the amount credited to your excess transfer balance account when we issue an excess transfer balance determination.

If you want to remove your excess before you receive a determination, you need to ensure that you remove the correct amount of earnings. The earnings are calculated up to the date that the excess was removed from retirement phase.

Excess transfer balance earnings will continue to accrue (and you will be liable for excess transfer balance tax on those earnings) until your transfer balance is equal to or less than your personal transfer balance cap.

Debits to your account

Debits to your transfer balance account reduce your transfer balance and increase your available cap space.

Debit events include:

- commutations
- structured settlement contributions
- reductions in your defined benefit lifetime pension or annuity due to a change in your circumstances
- losses due to fraud and bankruptcy

- family law payment splits
- super income streams that
  - cease to be in the retirement phase
  - fail to comply with the standards
- non-commutable excess transfer balance amounts.

Pension payments and investment losses from your retirement phase income streams are not commutations. They don't result in debits to your transfer balance account.

Commutations

Your transfer balance account is most commonly debited when you fully or partially commute a retirement phase income stream. This is usually from an account-based income stream.

Legacy retirement products can only be commuted in full between 7 December 2024 and 6 December 2029.

A commutation is the exchange of part or all of the value of your income stream for a lump sum. The lump sum can either be:

- paid out of the superannuation system
- used to commence another income stream
- retained in an accumulation phase account (unless it is a death benefit income stream).

When you receive a super death benefit as a lump sum this must be taken out of the superannuation system and not left in an accumulation phase account.

You can choose to request a commutation from your super fund if you're in excess of your personal transfer balance cap.

If you choose not to commute the excess, we will issue a commutation authority to your super fund to have the excess removed from the retirement phase.

If a super income stream is fully or partially commuted, your transfer balance account is debited by the value of the commutation. The debit arises when you receive the lump sum, not at the time you instruct the super fund to commute the income stream. Unless you are commuting a super death benefit income stream, you can choose to transfer the lump sum to an accumulation account or withdraw it from the superannuation system.

For more information, see:

- Changes to reserve allocations
- Relaxed commutation rules for legacy retirement products

Example: commutation and excess transfer balance

Paolo starts an account-based income stream valued at $2 million on 1 August 2016. The value of his income stream is $1.95 million on 30 June 2017 due to investment losses. Paolo's transfer balance account starts on 1 July 2017 and is credited with $1.95 million.

Paolo's transfer balance exceeds his personal transfer balance cap of $1.6 million, so he has an excess transfer balance of $350,000 at the end of 1 July 2017. Excess transfer balance earnings accrue daily on the excess and are credited to Paolo's transfer balance account.

On 1 August 2017, Paolo partially commutes this excess, taking $353,000 as a lump sum out of superannuation. This covers his excess transfer balance ($350,000) and the earnings accrued during the 31 days he had an excess ($2,745.15).

A debit of $353,000 arises in Paolo's transfer balance account on the date he receives the lump sum.

Paolo's resulting transfer balance is $1,599,745.15, so he no longer exceeds his personal transfer balance cap. Paolo will also be liable to pay excess transfer balance tax.

Pablo is not entitled to indexation as he already reached his personal transfer balance cap of $1.6 million.

Transactions in Paolo's transfer balance account

Date	Transaction	Debit	Credit	Transfer balance
1 July 2017	Transfer balance account starts	$0	$1,950,000	$1,950,000
2 July to 1 August 2017	31 days of excess transfer balance earnings	$0	$2,745.15	$1,952,745.15

1 August 2017	Partial commutation	$353,000	$0	$1,599,745.15

Structured settlement contributions

A structured settlement is a payment for a personal injury you have suffered. A corresponding debit will arise in your transfer balance account to offset the credit that occurs when you receive and contribute a structured settlement amount to your super.

A debit arises in your transfer balance account when you make the contribution of the structured settlement amount or at the time that you first have a transfer balance account, whichever is later.

For the debit to arise in your transfer balance account, the structured settlement contribution must be made to a super fund within 90 days of being received, or the structured settlement order coming into effect, whichever is later.

You must notify your super fund that the contribution is being made under this exemption before, or when, making the contribution to enable them to treat it appropriately and report it correctly to us.

When structured settlement contributions were made before 1 July 2017, the debit for the structured settlement contribution you've made will include any investment growth that had occurred on the structured settlement contributions.

Example: structured settlement contribution

Taj has an account-based income stream valued at $700,000 on 30 June 2017. His transfer balance account starts on 1 July 2017 and is credited with $700,000.

In late 2017, Taj is seriously injured in a car accident. He undertakes legal proceedings against the driver of the other car and is awarded a court ordered structured settlement of $3.5 million on 15 May 2018.

On 16 May 2018, Taj contributes the $3.5 million into his fund. He notifies the trustee of his super fund and the ATO that the contribution is a structured settlement contribution.

Taj immediately commences another income stream with his structured settlement contribution. Taj's transfer balance account is credited by $3.5 million for the income stream started using the structured settlement contribution. It is also debited

$3.5 million for the same contribution. Taj never has an excess transfer balance, because the credit and debit arise on the same day (16 May 2018), and excess transfer balance is measured at the end of each day.

Taj's transfer balance is $700,000 at the end of 16 May 2018. Taj may start another account-based income stream valued up to $900,000 without exceeding his personal transfer balance cap of $1.6 million.

Transactions in Taj's transfer balance account

Date	Transaction	Debit	Credit	Transfer balance
1 July 2017	Transfer balance account starts	$0	$700,000	$700,000
16 May 2018	Structured settlement contributed to super fund	$3,500,000	$3,500,000	$700,000

Defined benefit lifetime pension or annuity reduced due to a change in circumstances

You may be entitled to a debit in your transfer balance account if your defined benefit income stream reduces because of a change in your circumstances, such as when a **reversionary defined benefit pension** is paid to a surviving spouse or beneficiary. These reductions occur mainly with public sector superannuation schemes.

Cease to be in the retirement phase

A successor fund transfer (SFT) occurs when member accounts are transferred from one registrable super entity (RSE) to another RSE with a different Australian business number without their members' consent.

If your super fund undertakes a SFT, you will get both a:

- debit in your transfer balance account when your super income stream ceases in your old fund

- credit of the same value in your transfer balance account when the super income stream begins in your new fund.

As the corresponding debit and credit are for the same value, these transactions won't impact the balance of your transfer balance account.

Failure to comply with pension or annuity standards

If your super fund fails to comply with the rules or standards for your income stream, the income stream may cease to meet the definition of a 'superannuation income stream'. This means it will no longer be eligible for the earnings tax exemption.

Example: failure to comply with pension or annuity standards

Yukari starts an account-based income stream valued at $1.5 million on 28 January 2018 from her SMSF. Her transfer balance account starts on 28 January 2018 and is credited with $1.5 million (the value of her retirement phase income stream).

At the end of 2017–18, Yukari's SMSF has not paid her required minimum pension amount, which is a failure to comply with the pension rules and standards. For transfer balance cap purposes, Yukari's income stream stops being a super income stream in the retirement phase at this time.

On 30 June 2018, the value of Yukari's income stream is $1.45 million (as a result of investment losses). Due to the SMSF's failure to comply with pension standards, Yukari's transfer balance account is debited by $1.45 million on 30 June 2018.

If the SMSF trustee wishes to receive an earnings tax exemption for Yukari's interest, Yukari must cease her income stream and start a new account-based income stream that complies with the relevant pension rules and standards.

Yukari's transfer balance is now $50,000, so she can start a new account-based income stream valued up to $1.55 million without exceeding her personal transfer balance cap.

Transactions in Yukari's transfer balance account

Date	Transaction	Debit	Credit	Transfer balance
28 January 2018	Transfer balance	$0	$1,500,000	$1,500,000

	account starts			
30 June 2018	Income stream ceases due to failure to comply with pension standards	$1,450,000	$0	$50,000

Failure to comply with a commutation authority

If your super fund fails to comply with a commutation authority, the relevant income stream will cease to be in the retirement phase. This will apply from the start of the income year in which the fund failed to comply with the commutation authority. This means it will no longer be eligible for the earnings tax exemption for that income year, or future income years. A debit will arise in your transfer balance account equal to the value of your income stream at the end of the period specified in the commutation authority.

Example: failure to comply with commutation authority

Luke starts an account-based income stream valued at $1.9 million on 1 July 2018 from his SMSF. His transfer balance account starts on 1 July 2018 and is credited with $1.9 million. He has exceeded his personal transfer balance cap ($1.6 million) and has an excess transfer balance of $300,000.

On 24 September 2018, the ATO issues an excess transfer balance determination to Luke, requiring him to remove $306,495.92 (excess of $300,000, plus 85 days of excess transfer balance earnings). For some reason, Luke doesn't or can't remove the $306,495.92.

On 3 December 2018, the ATO issues the trustee of Luke's SMSF with a commutation authority requiring them to commute $306,495.92 from Luke's income stream by 1 February 2019. The SMSF trustee doesn't comply with the commutation authority within the 60-day time limit. As a result, Luke's income stream ceases to be in the retirement phase from 1 July 2018 (the start of the income year) and is no longer eligible for the earnings tax exemption.

On 1 February 2019, the value of Luke's income stream is $1.88 million (as a result of investment losses). Due to the SMSF

trustee's failure to comply with the commutation authority, Luke's transfer balance account is debited $1.88 million on 1 February 2019.

Luke's transfer balance is now $26,495.92. He won't exceed his personal transfer balance cap if he starts a new account-based income stream valued up to $1,573,504.08. Luke will also be liable to pay excess transfer balance tax.

Non-commutable excess transfer balance

In some situations, you may have an excess transfer balance and no remaining retirement phase income streams from which you can commute the excess.

This may occur because either:

- the only retirement phase super income streams you have are capped defined benefit income streams
- you are no longer a retirement phase recipient of any super income stream.

If your super fund notifies us that you have insufficient value to commute to resolve your excess transfer balance and the account is closed, we will notify you in writing that you have a non-commutable excess transfer balance. When we issue the notice, a debit arises in your transfer balance account equalling and removing the excess.

Replenishment debits including family law payment split

There are a limited number of events that may result in an individual losing some or all of the value in their superannuation interests, including:

- a family law payment split
- a debit event from fraud, dishonesty or bankruptcy.

You must report these debits to us on a **Transfer balance event notification form** (TBEN).

Family law split

Superannuation interests may be split as part of the division of property following a divorce or relationship breakdown. One party (the member spouse) will be required to provide a proportion of their retirement phase super interests to the other party (the non-member spouse).

For either spouse, the debit arises either when the payment split becomes operative (under the *Family Law Act 1975*) or when they start

to have a transfer balance account (whichever is later).

A payment split may involve the member spouse either:

- commuting part of their super income stream into a lump sum, which is then paid to the non-member spouse. This will be reported as a commutation by the member's super fund, and the member doesn't need to complete a TBEN to notify us of this event
- retaining complete ownership of their super interest but having a portion of each payment from their retirement phase income stream directed to the non-member spouse (either spouse must notify us in writing on a TBEN). To complete the form correctly, the notifying spouse will need to ask the member's super fund for certain information.

For more information on family payment splits, see **Superannuation and relationship breakdown**.

Example: family law split – lump sum transfer

Nancy's transfer balance account is credited with $1 million on 1 October 2017.

On 30 September 2018, as part of finalising her divorce, Nancy needs to transfer $500,000 of her super to Michael. Nancy partially commutes her super income stream by $500,000 and transfers it to Michael's super fund.

Nancy's transfer balance account is debited by $500,000.

If Michael uses the $500,000, he receives to start his own super income stream, he will receive a $500,000 credit in his transfer balance account.

Neither Nancy nor Michael need to complete a TBEN form, as this information will be reported by their fund.

Example: family law split – income stream payments split

On 1 July 2017, Bradley is receiving a non-commutable capped defined benefit income stream with a special value of $1.6 million, which is credited to his transfer balance account.

In 2020, Bradley and Angie divorce, and Bradley is required under family law to split 50% of his superannuation with Angie.

As Bradley's income stream can't be commuted, the payment split applies to the monthly payments from the income stream, with Bradley and Angie each receiving approximately $4,000 per

month, starting on 1 October 2020. Bradley notifies the ATO of the payment split using a TBEN form.

On 1 October 2020, Bradley's income stream is still valued at $1.6 million. Bradley's transfer balance account is debited by $800,000, being the proportion of all the income stream payments to be paid to Angie. This leaves Bradley's transfer balance at $800,000.

On 1 October 2020, Angie's transfer balance account is credited with $1.6 million, as she is also receiving Bradley's income stream for transfer balance cap purposes.

Angie's transfer balance account is then debited by $800,000. This reflects the proportion of Bradley's income stream payments that he remains entitled to.

Angie's transfer balance is now $800,000, which reflects the proportion of Bradley's income stream that Angie is entitled to.

If Bradley fully commutes his income stream in 2025, 50% of the resulting lump sum will be paid to Angie under the terms of the payment split. Bradley and Angie will each receive debits of 50% of the lump sum in their transfer balance accounts.

Rolling over your pension

When you roll over your retirement phase income stream, you will get both:

- a debit in your transfer balance account when you commute the income stream in your old fund
- a credit in your transfer balance account when you start a retirement phase income stream in your new fund.

These debit and credit events will be reported to us by your super funds.

You need to ensure that the value of the super income stream you start doesn't result in you exceeding your personal transfer balance cap.

Example: rolling over your pension

On 1 July 2017, Frankie started a retirement phase income stream valued at $1.6 million.

On 30 June 2019, Frankie rolled over his pension interest to another fund. The value of the pension at the time he rolled it

over was $1 million. Frankie already held an accumulation interest of $1.2 million in the new fund.

As Frankie has a personal transfer balance cap of $1.6 million, he can only start a new pension of $1 million without exceeding his personal transfer balance cap.

On 1 July 2019, Frankie starts a new pension valued at $1 million.

Transactions in Frankie's transfer balance account

Date	Transaction	Debit	Credit	Transfer balance
1 July 2017	Transfer balance account starts	$0	$1,600,000	$1,600,000
30 June 2019	Commutation debit	$1,000,000	$0	$600,000
1 July 2019	Pension credit	$0	$1,000,000	$1,600,000

In some instances, the value of the debit when you commute your retirement phase income stream won't equal the value of the pension you start with the same assets. For example, if there has been a growth or loss in the value of the assets while they were not in retirement phase. When you start a new pension be aware of your available personal transfer balance cap space.

Example: rolling over pension results in excess transfer balance

On 2 August 2017, Elisabeth started a retirement phase income stream valued at $1.6 million.

On 7 September 2019, Elisabeth rolled over her pension interest to another fund. The value of the pension at the time she rolled it over was $1.63 million.

On 12 October 2019, the value of the assets had grown to $1.64 million and Elisabeth started a pension valued at $1.64 million.

As Elisabeth has a personal transfer balance cap of $1.6 million, she has exceeded her transfer balance cap. She will need to commute $10,000 plus excess transfer balance earnings from her retirement phase account.

Transactions in Elisabeth's transfer balance account

Date	Transaction	Debit	Credit	Transfer balance
2 August 2017	Transfer balance account starts	$0	$1,600,000	$1,600,000
7 September 2019	Commutation debit	$1,630,000	$0	- $30,000
12 October 2019	Pension credit	$0	$1,640,000	$1,610,000

QC 54354

Excess transfer balance

What you need to do if the amount you've transferred into retirement phase exceeds your transfer balance cap.

Last updated 7 February 2025

What is an excess transfer balance?

When the amount you transfer into retirement phase exceeds your personal **transfer balance cap**, you will generally have an excess transfer balance.

An excess transfer balance can arise when you receive:

- one or more retirement phase account-based income streams
- a combination of one or more retirement phase account-based income streams and capped defined benefit income streams.

Your excess transfer balance is the sum of:

- the amount that exceeds your personal transfer balance cap
- the notional earnings on the excess amount.

If you have an excess transfer balance, you will need to both:

- remove the excess by commuting it
- pay excess transfer balance tax.

We may also send you an excess transfer balance determination, which will set out the amount you need to commute.

You can view your transfer balance account and transfer balance cap on **ATO online services**.

What you can do

Taking extra pension payments (or a larger pension payment) doesn't create a debit in your transfer balance account and won't rectify your excess.

You need to commute the excess transfer balance amount from retirement phase as soon as possible to limit the amount of excess transfer balance tax you will need to pay.

You can commute your excess amount as soon as you are aware you're in excess, even if we haven't sent you an excess transfer balance determination. If you do this, you will need to calculate the earnings on the excess amount yourself. The sooner you do this the less excess transfer balance tax.

Once you have removed the excess transfer balance, we will send you a notice of assessment showing the amount of excess transfer balance tax you need to pay.

Excess transfer balance determination

We will send you an excess transfer balance determination to advise you of your excess transfer balance and the amount you need to commute from your retirement phase income stream.

Your determination will detail:

- your excess transfer balance amount at the end of a particular day
- the due date you need to commute the amount by
- the excess period
- your personal transfer balance cap.

Your determination will also include a default commutation notice. This notice outlines which super fund and income stream account we will send a commutation authority to if you don't commute or make an election by the due date on your determination.

A capped defined benefit income stream, such as a lifetime pension, counts towards your excess transfer balance, but is not included in the default commutation notice because such streams generally can't be commuted.

After the excess is removed, we will send you an excess transfer balance tax assessment showing the excess transfer balance tax you need to pay.

Example: consequences of excess transfer balance

On 1 July 2018, Bec started a superannuation income stream of $1 million from the superannuation fund her employer contributed to (Master Superannuation Fund). On 1 October 2018, Bec also started a $1 million superannuation income stream in her SMSF, Bec's Super Fund.

On 1 July 2018, Bec's transfer balance account was $1 million. On 1 October 2018, Bec's transfer balance account was credited with a further $1 million bringing her transfer balance account to $2 million. This means that Bec had exceeded her personal transfer balance cap of $1.6 million by $400,000.

Bec's SMSF reported the second superannuation income stream to us on 28 January 2019.

On 30 January 2019, the ATO issued an excess transfer balance determination to Bec setting out her excess transfer balance amount (which will be made up of the $400,000 plus earnings that accrued from 1 October 2018 to when we made the determination).

Included with the determination was a default commutation authority notice which lets Bec know that, if she doesn't commute the full amount voluntarily or make an election by the due date on the determination, the ATO would issue a commutation authority to Master Superannuation Fund requiring the trustee to commute the excess transfer balance amount from her superannuation income stream.

Excess transfer balance earnings

The earnings on your excess transfer balance are 'excess transfer balance earnings'. They are notional earnings calculated using a legal

formula. A notional amount is used because it is difficult to determine actual earnings on a specific portion of the overall assets.

Excess transfer balance earnings compound daily. Each day the earnings are calculated and credited to your transfer balance account. This increases the amount that excess transfer balance earnings are calculated on for the following day. This process continues until we issue an excess transfer balance determination, or you stop having an excess transfer balance, whichever is earlier.

The daily rate for excess transfer balance earnings is worked out as follows:

> **90-day bank accepted bill yield + seven percentage points ÷ number of days in the calendar year.**

This rate is based on the **general interest charge**.

The 90-day bank accepted bill yield is a benchmark indicator published by the Reserve Bank of Australia.

We will advise you of the amount credited to your excess transfer balance account when we issue an excess transfer balance determination.

Excess transfer balance earnings will continue to accrue until your transfer balance account is equal to or less than your personal transfer balance cap and you will pay excess transfer balance tax on those earnings.

What to do when you receive a determination

You can review all the events and reporting that have been taken into consideration in determining if you have exceeded your personal transfer balance cap through **ATO online services**.

If you think your determination is based on incorrect reporting to us by your super fund, you should contact them. We have no discretion to disregard your excess or adjust the information reported to us by your super fund.

If you need more time to understand your situation or for your super fund to correct any reporting, you must contact us to seek an extension of time. You should do this before the due date on your determination.

If you don't act by the due date on your determination or your extended due date, we will send a commutation authority to the super fund specified in your determination.

Commuting an excess amount

To commute the excess transfer balance, you should contact your super fund and ask them to commute the excess amount.

Unless you are commuting a death benefit income stream, the excess amount can be transferred into an accumulation account or withdrawn from super as a lump sum.

If you are commuting a death benefit income stream, the excess amount must be withdrawn from super in the form of a lump sum as soon as practicable. When you receive a superannuation death benefit as a lump sum, it:

- must be taken out of the superannuation system
- can't be left in an accumulation phase account.

You need to ensure the commutation:

- is made by the due date set out on your determination
- is for the full amount set out on your determination, including any cents.

If your super fund requires you to commute an amount in whole dollars and the amount you need to commute is comprised of dollars and cents, round up to ensure you have commuted enough to remove your excess.

If you don't commute the full amount by the due date, we will send a commutation authority to your super fund, even if the remaining amount is very small. Excess transfer balance tax will continue to accrue until you cease to have an excess transfer balance account.

If you can't commute the full amount set out in your determination, you will need to commute as much as possible and close the account.

If you no longer have retirement phase super income streams other than capped defined benefit income streams, we will issue you with a notice of non-commutable excess transfer balance, which will mean you are no longer in excess. We will also send you an excess transfer balance tax assessment.

Your super fund will tell us when an amount has been commuted from your account. This ensures your transfer balance account is debited for any commutations and we can determine whether you still have an excess transfer balance.

If you commute an income stream **after** the due date on your determination and haven't sought an extension of time, we may issue a commutation authority to your super fund to have the excess transfer

balance amount removed from retirement phase. There is a risk that the amount could be commuted twice.

You don't need to advise us of any commutations. However, if your super fund can't report the debit to your account for any reason, you will need to provide us with a statement in writing that includes the member's:

- full name
- residential address
- date of birth
- contact number
- account number with the amount commuted and the date commuted
- the super fund's name and ABN.

Your written statement must be signed and include:

- the signatory's full name (this could be you as member or a person authorised by the member)
- a contact number
- a statement declaring that the information provided is true and correct.

Making a commutation authority election

If you don't want to request a commutation from your fund or if you want to choose another income stream to remove the excess from, you can make an election by the due date on your determination.

If you do make an election, you must ensure that the total amount you elect equals the excess transfer balance amount. Once you have made an election it is irrevocable.

We're unable to send a commutation authority to your super fund until after the due date on your determination.

The longer you remain in excess the more excess transfer balance tax you will pay.

You don't need to make an election if you either:

- have requested a commutation from your fund
- want us to send a commutation to your default fund.

To make an excess transfer balance election:

- Online

  - sign in to myGov
  - select **Australian Taxation Office**
  - select **Super,** then **Manage,** then **Transfer balance election**
  - If you don't have a myGov account, **create one and link it to the ATO**
- On paper, see **Excess transfer balance election form instructions**.

Extension of time

If you need more time to respond to your determination you can phone us before the due date on **13 10 20** and request an extension of time. You will need to explain the cause for the delay.

The longer you are in excess the more excess transfer balance tax you will pay. This is because your excess transfer balance earnings continue to accrue until you are no longer in excess.

We can't give you an extension of time if we have already sent a commutation authority to your super fund.

Commutation authority

We will issue a commutation authority to your super fund if your excess transfer balance has not been commuted in full by the due date on your determination. If you've made an election, the commutation authority will be issued to the super fund you chose.

The **commutation authority** will detail the amount that your super fund must commute from a specific income stream. Your super fund must action the commutation authority and tell us what action they have taken within 60 days.

While we may be able to adjust or revoke a commutation authority if we receive late reporting from your super fund we have limited ability to do so.

We can't take any action if your super fund has already complied with the commutation authority. Your super fund should make reasonable efforts to contact you and discuss your options, such as retaining the commuted amount in an accumulation account or taking it out of the super system.

If your super fund is unable to contact you, they should commute the amount in a way they judge to be in your best interests. The super fund must act to reduce the excess within 60 days of the commutation authority being issued.

Your super fund must notify you when they either:

- commute an amount from your super income stream in response to a commutation authority
- can't action the commutation authority because the super income stream specified is a capped defined benefit income stream.

You can't:

- object to the commutation authority that we send to your super fund
- direct your super fund not to comply with the commutation authority.

If you have a SMSF, see **Commutation authorities for SMSFs**.

Excess transfer balance tax

You're liable to pay excess transfer balance tax if you had an excess transfer balance, even if we don't send you a determination.

Excess transfer balance tax is generally calculated on your excess transfer balance earnings for the period from when you start to have an excess transfer balance account to when your transfer balance account is no longer in excess.

The earnings that attract excess transfer balance tax include earnings that accrue after we have issued your determination (even though those earnings don't need to be commuted from your super fund). The earlier you commute your excess the less excess transfer balance tax you'll have to pay.

Excess transfer balance tax assessment

If you're liable for excess transfer balance tax, we will issue you with an excess transfer balance tax assessment. Excess transfer balance tax is due and payable 21 days after the assessment is issued to you. Interest will accrue if any amount remains unpaid after the due date.

The tax rate is 15% for the first time you have an excess transfer balance, increasing to 30% if you have an excess transfer balance again.

What to do if you disagree

If you have any concerns you can contact us on **13 10 20** for an explanation.

If you believe our calculation is incorrect because your super fund has reported an incorrect amount to us, you will need to ask them to re-

report. If this occurs, you may need to contact us and request an extension of time to allow your super fund to lodge amended reporting before the due date on your determination.

If your super fund tells you that they have reported information to us that we've not taken into consideration when calculating your transfer balance, you should ask your super fund to contact us.

If you disagree with our calculation, you can **lodge an objection**.

You may object to your determination under Part IVC of the *Taxation Administration Act 1953* as a determination is a taxation decision for Part IVC purposes. However, the default commutation notice that accompanies your determination is not part of the taxation decision and doesn't carry any objection rights.

You may also object to your excess transfer balance tax assessment under Part IVC. However, if you've already objected to your excess transfer balance determination you cannot object to your excess transfer balance tax assessment on the same grounds, or on grounds that could have been grounds for your objection to the determination.

We don't have any discretion and therefore can't take special circumstances into account when considering your objection.

Correcting reporting errors

We recognise that information reported to us may sometimes be incorrect. The following table outlines some errors and the action necessary to rectify them.

Correcting reporting errors

Situation	Action required
The information reported to us by your super fund is incorrect	Your super fund needs to cancel the incorrect TBAR and re-report the correct information as soon as possible. You may need to request an extension of time before the due date to allow for the new information to be processed We'll issue a revoked or amended determination once we've received and processed the new information

The information reported to us by your super fund is incomplete. For example: • you were in excess at 1 July 2017 and your SMSF hasn't reported any subsequent commutations that reduced or rectified the excess during the determination period • you were in excess at 1 July 2017 and started an additional retirement-phase income stream, which increased the amount you are in excess by during the determination period • you have rolled over your super interest from a SMSF to an APRA fund, but your SMSF hasn't reported the initial pension or the debit when the pension was commuted before it was rolled over	Your super fund will need to lodge TBARs providing the correct information for all events that occurred between the day that you went into excess and the day we made the determination. You may need to request an extension of time before the due date to allow for the new information to be processed. We'll issue a revoked or amended determination once we've received and processed the new information
We haven't taken your structured settlement contribution into consideration	If the structured settlement contribution was made to your super fund before 1 July 2007, you will need to advise us of this using a **Transfer balance event notification form**. If the structured settlement contribution was made between 1 July 2007 and 30 June 2017, your super fund should already have reported this to us on their member contribution statement. Your super fund will need to check that they reported the contribution to us as a structured settlement contribution and they may need to contact us to check their reporting. If the structured settlement contribution was made to the super fund on or after 1 July

	2017, the super fund will need to report this to us on a TBAR. You may need to request an extension of time prior to the due date to allow for the new information to be processed We'll issue a revoked or amended determination once we've received and processed the new information

QC 54355

Transfer balance cap – capped defined benefit income streams

How the transfer balance cap rules apply to capped defined benefit income streams.

Last updated 24 July 2025

Modified transfer balance cap rules

A capped **defined benefit income stream**, such as a lifetime pension, counts towards your transfer balance.

However, the **transfer balance cap** rules apply differently to capped defined benefit income streams as any excess transfer balance is generally unable to be commuted from these income streams.

If you have a capped defined benefit income stream:

- it will be included in your transfer balance account and
  - count towards your personal transfer balance cap
  - taken into account when we calculate if you're entitled to indexation of your personal transfer balance cap
- your super fund will calculate the 'special value' your capped defined benefit income stream according to a legal formula and

report it to us, with the amount then recorded as a credit in your transfer balance account

- you may need to include income from these income streams in your assessable income and have a reduced entitlement to the super income stream **tax offset** if both
  - your income from your capped defined benefit income streams exceeds the defined benefit income cap
  - you're 60 years old or older – or under 60 years old (and receiving a death benefit income stream from a person who died at 60 years old or older).

If you exceed your personal transfer balance cap due to a combination of capped defined benefit income streams and account-based income streams:

- tax consequences may apply to the income from your capped defined benefit income streams
- you may need to commute your account-based pension and be liable for excess transfer balance tax.

Capped defined benefit income streams

Capped defined benefit income streams include:

- lifetime pensions, regardless of when they start
- lifetime annuities that existed before 1 July 2017
- life expectancy pensions and annuities that existed before 1 July 2017
- market-linked pensions and annuities that existed before 1 July 2017.

If you're receiving an income stream, ask your super fund if it's a capped defined benefit income stream.

Calculating the 'special value'

Your super fund will calculate the 'special value' of your capped defined benefit income stream and report it to us. You will receive a credit in your transfer balance account for this amount.

The following steps shows how they will calculate it.

Step 1 – annualise your entitlement

Annualise the first payment you are entitled to receive from the income stream after the income stream started (or after 1 July 2017 if income stream existed before 1 July 2017).

This can be expressed in the following formula:

> First payment divided by the number of days in the period, multiplied by 365.

Example: annualise your entitlement formula

Jane retired and started a lifetime pension on 1 May 2016.

To work out the annual entitlement of her pension, Jane's superannuation fund needs to 'annualise' her first fortnightly payment after 1 July 2017, which is $5,753.42. To do this, they first calculate the daily rate by dividing her gross fortnightly payment by 14. They then multiply this amount by 365 days:

> $5,753.42 ÷ 14 × 365 = $150,000.

Step 2 – calculate your special value

For lifetime pension or annuity, your special value is your annual entitlement multiplied by 16.

For **non-commutable life expectancy** or **market-linked products**, your special value is your annual entitlement multiplied by the number of years (rounded up to the nearest whole number) remaining in that product.

Example: calculate your special value formula

Malcolm retired on 1 January 2017. His superannuation fund needs to calculate the special value of his market-linked pension.

The special value of his market-linked pension at 1 July 2017 is his annual entitlement for 2017–18 multiplied by the remaining term. The pension's remaining term of 18 years and one month is rounded up to the nearest whole year, 19.

To calculate the annual entitlement of his pension, Malcolm's superannuation fund needs to 'annualise' his first weekly payment after 1 July 2017, which is $575.35. This is calculated by working out the daily rate by dividing the gross weekly payment by 7 and multiplying this amount by 365 days.

> $575.35 ÷ 7 × 365 = $30,000

The special value of his pension is:

19 × $30,000 = $570,000.

If your special value exceeds your personal transfer balance cap

If you only have credits in your transfer balance account from capped defined benefit income streams, you won't have an excess transfer balance.

However, you may need to include part of the excess amount in your assessable income if both:

- you have credits in your transfer balance account from both a capped defined benefit income stream and an account-based income stream
- the annual income you receive from your capped defined benefit income streams exceeds your defined benefit income cap.

Your entitlement to the tax offset may also be affected.

For more information, see Capped defined benefit and account-based income streams.

Calculating the debit value for commutation

From 7 December 2024 **relaxed commutation rules for legacy retirement products** apply for 5 years, if you meet certain conditions. A full commutation will result in a debit in your transfer balance account.

For lifetime annuities or pensions the debit value will be the amount of the transfer balance credit that arose in your transfer balance account in respect of the income stream, less the following:

- the amount of any transfer balance debits (except from a payment split) that have arisen in your transfer balance account in respect of the income stream before that time.

For market linked and life expectancy pensions or annuities the debit value will be the amount of the transfer balance credit that arose in your transfer balance account in respect of the income stream, less the sum of the following:

- the amount of any transfer balance debits (except from a payment split) that have arisen in your transfer balance account in respect of the income stream before that time

- the total amount of superannuation income stream benefits the person was entitled to receive before the start of the financial year the commutation takes place, and
- the greater of
  - the sum of the superannuation income stream benefits paid during the financial year the commutation takes place
  - the minimum amount required to be paid under regulations 1.07B and 1.07C of SISR or regulation 1.08 of the Retirement Savings Account Regulations 1997 during the financial year the commutation takes place.

Where lifetime annuities, market linked and life expectancy pensions or annuities have been commuted and restarted on or after 1 July 2017, the income streams will no longer be capped defined benefit income stream (CDBIS).

As such, the debit value will be the value of the superannuation interest that supported the superannuation income stream just before the income stream ceased. Different rules apply for APRA regulated funds when a market linked or similar income stream recommences as part of a successor fund transfer, see **Updated guidance – market linked pensions**.

Example: Calculating debit value for commutation of a legacy retirement product

On 25 January 2025, Arnold Perkins decides to commute his market linked income stream (a legacy retirement product). The original special value on 1 July 2017 was $1,600,000. There are no transfer balance account (TBA) debits. Arnold received a total of $600,000 in pension payments from 1 July 2017 to 30 June 2024.

Arnold's fund calculates that between 1 July 2024 and 25 January 2025, he should have received pension payments of $35,000 (pro-rata minimum pension) but has only received $30,500. He is aware that commuting the income stream when the minimum pension amount hasn't been paid may affect the fund's tax-exempt status in the same year.

Original Special Value on 1 July 2017 - $1,600,000

Less the sum of:

- Total TBA debits - $0
- Total payments from 1 July 2017 to 30 June 2024 - $600,000

- Greater value of required payment and received payment - $35,000

The fund reports a commutation (TBA debit) of $965,000.

This will leave a balance of $635,000 on the transfer balance account. Arnold will need to consider this if he decides to start a new, account-based income stream.

If Arnold does decide to rollover the account balance of $1,000,000 he commuted, and commences a new account based pension, the fund paying the new account based pension would credit his transfer balance account with $1,000,000 (the value of the superannuation income stream). Arnold would exceed his personal transfer balance cap by $35,000. More information on **Excess transfer balance**.

Transactions in Arnold's transfer balance account

Date	Transaction	Debit	Credit	Transfer balance
1 July 2017	Transfer balance account starts	$0	$1,600,000	$1,600,000
25 Jan 2025	Commutation debit	$965,000	$0	$635,000
25 Jan 2025	Account based pension credit	$0	$1,000,000	$1,635,000

Assessable income from your capped defined benefit income streams

If you are 60 years old or over (or a death benefit dependant and the deceased died at 60 years old or over) and your capped defined benefit income exceeds your defined benefit income cap, you may have additional tax liabilities.

This depends on which of the following components are paid to you as part of your total annual capped defined benefit income stream:

- Taxable component – taxed element and tax-free components
- Taxable component – untaxed element
- Multiple components.

Taxable component – taxed element and tax-free components

If your defined benefit income is comprised of a taxed element, a tax-free component, or both - 50% of your defined benefit income (excluding any amounts from an untaxed element) that exceeds your defined benefit income cap is included in your assessable income.

Taxable component – untaxed element

If your defined benefit income is comprised of an untaxed element, this entire amount is included in your assessable income. However, the 10% tax offset you would normally be entitled to will be reduced if the total amount of your defined benefit income (including any amounts of taxed element and tax-free components) exceeds your defined benefit income cap.

The tax offset entitlement is reduced by 10% of the excess (but can't be reduced below zero). In other words, the 10% offset applicable to the untaxed element-sourced income only applies to the amount of the untaxed element-sourced income up to your defined benefit income cap, and no tax offset applies to the excess.

Multiple components

Both of these treatments apply if your defined benefit income includes an untaxed element as well as a taxed element, a tax-free component, or both, and the total amount of defined benefit income exceeds your defined benefit income cap.

Note your taxed element sourced income is counted first (‘stacked’) before your untaxed element sourced income when calculating your entitlement to tax offsets.

If you have an untaxed element in your income stream, your fund may not pre-populate your payment summary with your entitlement to the tax offset as they don't know if you have income from other capped defined benefit income streams that will affect your entitlement to the offset. You will need to determine your entitlement to the offset when preparing your income tax return.

Capped defined benefit and account-based income streams

If you receive both a capped defined benefit income stream and an account-based income stream, you will need to compare the balance of your transfer balance account (taking into account credits and debits from all your income streams) to both your:

- personal transfer balance cap
- capped defined benefit balance.

Your capped defined benefit balance is the net sum of all the transfer balance credits and debits in your transfer balance account from capped defined benefit income streams.

If the balance of your transfer balance account exceeds your transfer balance cap, and also exceeds your capped defined benefit balance, you will have an excess transfer balance. Your excess transfer balance amount will include notional excess transfer balance earnings.

You will need to commute your account-based income streams to resolve the excess amount. You will also be liable for excess transfer balance tax.

Income tax consequences may also apply to the income you received from your capped defined benefit income streams.

Example: capped defined benefit in excess of your transfer balance cap

June is 65 years old and was receiving both:

- a capped defined benefit income stream (estimated special value of $2 million)
- an account-based income stream (estimated value of $500,000).

Before 1 July 2017, June transferred her account-based income stream back to an accumulation account.

On 1 July 2017, the special value of her capped defined benefit income stream ($2 million) will count towards her personal transfer balance cap of $1,600,000. The balance of her transfer balance account exceeds her personal transfer balance cap by $400,000. However, as this excess is solely from a capped defined benefit income stream, she doesn't have an excess transfer balance.

As June's benefits in 2017–18 exceed her defined benefit income cap, she may need to include amounts in her assessable income. Her entitlement to a super income stream offset may also be affected.

June won't be entitled to indexation of her personal transfer balance cap as the highest ever balance of her transfer balance account was more than her cap of $1.6 million.

Example: starting an account-based income stream on top of a capped defined benefit income stream

Greg is receiving a capped defined benefit income stream with a special value of $1.8 million on 1 July 2017. He also has $300,000 in accumulation interests.

Greg's personal transfer balance cap is $1.6 million. His capped defined benefit balance is $1.8 million.

Greg exceeds his personal transfer balance cap by $200,000 on 1 July 2017. He doesn't exceed his capped defined benefit balance, and doesn't have an excess transfer balance.

After 1 July 2017, Greg starts an account-based income stream using his accumulation interests. The combined total that counts towards his personal transfer balance cap and capped defined benefit balance is $2.1 million ($1.8 million plus $300,000). Greg exceeds his personal transfer balance cap by $500,000, and his capped defined benefit balance by $300,000.

Greg has an excess transfer balance of $300,000 (the lesser of these 2 amounts). He needs to commute the excess from his account-based income stream, along with notional earnings on the excess. He also needs to pay excess transfer balance tax.

Additionally, if Greg's benefits in 2017–18 exceed his defined benefit income cap, he will need to include amounts in his assessable income from 1 July 2017. His entitlement to the super income stream tax offset may also be affected.

Greg is also not entitled to indexation of his personal transfer balance cap as the highest ever balance of his transfer balance account was more than $1.6 million before 1 July 2021.

Relaxed commutation rules for legacy retirement products

Changes from 7 December 2024 relax commutation restrictions for certain legacy retirement income stream products.

Last updated 26 June 2025

Changes to commutation restrictions

From 7 December 2024, the Treasury Laws Amendment (Legacy Retirement Product Commutations and Reserves) Regulations 2024 (the Regulation) temporarily relaxes commutation restrictions for certain retirement income stream products (known as legacy retirement products).

Before 7 December 2024, providers of certain legacy retirement products had to ensure that those products could not be commuted under the relevant fund rules, contract, or terms and conditions of the product (the fund or product rules), except in limited circumstances.

The Regulation relaxes this restriction so that the relevant fund or product rules can also allow the products to be fully commuted within the 5-year period beginning on 7 December 2024 and ending on 6 December 2029.

What can be commuted

The affected products that can be commuted are:

- lifetime annuities and pensions, being products that meet the standards in subregulations 1.05(2) or 1.06(2) of the *Superannuation Industry (Supervision) Regulations 1994* (SISR), if the fund that purchases or provides consideration for the benefit (in the case of annuities) or provides the benefit (in the case of pensions)
  - is not a defined benefit fund, or
  - is a self-managed superannuation fund (SMSF), or
  - was, when the benefit commenced to be paid and at all earlier times, a small APRA fund
- life expectancy annuities and pensions, being products that meet the standards in subregulations 1.05(9) or 1.06(7) of the SISR

- market-linked annuities and pensions, being products that meet the standards in subregulations 1.05(10) or 1.06(8) of the SISR, or subregulation 1.07(3A) of the *Retirement Savings Accounts Regulations 1997*.

While the affected products are described as legacy retirement products, and many commenced before 20 September 2007, there is no requirement in the Regulation that the affected products must have commenced before a particular date.

The Regulation relaxes a restriction on what fund or product rules can allow: it does **not** change fund or product rules themselves. Fund or product rules may need to be changed by the fund or provider to allow commutation before a recipient can commute without the fund breaching those rules.

Example 1: lifetime pension in an SMSF

Rebecca starts receiving a lifetime pension from her SMSF on 1 July 2003. That pension is provided under fund rules that meet the standards in subregulation 1.06(2) of the SISR.

On 1 January 2025, the trustee amends the fund rules to allow full commutation within the 5-year period beginning on 7 December 2024 of lifetime pensions it provides.

On 1 March 2025, Rebecca fully commutes her lifetime pension. The commutation complies with the standards in the Regulation.

Example 2: market-linked pension in an SMSF

Isaac starts receiving a lifetime pension from his SMSF on 1 July 2003. On 1 July 2020, that lifetime pension is fully commuted and the resulting lump sum is used to directly purchase a market-linked pension from the same fund in circumstances that do not breach subregulation 1.06(2) of the SISR. The market-linked pension is provided under fund rules that meet the standards in subregulation 1.06(8) and regulation 1.07C of the SISR.

On 1 January 2025, the trustee amends the fund rules to allow full commutation within the 5-year period beginning on 7 December 2024 of market-linked pensions it provides. After that amendment, Isaac fully commutes his market-linked

pension. The commutation complies with the standards in the Regulation.

What happens when a legacy retirement product is commuted

If an affected legacy retirement product is commuted, in most cases the resulting entitlement can be dealt with by the former recipient in the same way as an entitlement from the commutation of most other superannuation income streams. Generally, the entitlement must be allocated to the member's account and then can be:

- subject to preservation rules and payment standards
  - used to commence another income stream (if the individual has sufficient transfer balance cap space), or
  - paid as a lump sum
- retained in the fund, in 'accumulation phase'
- dealt with in a combination of the above ways.

In some cases, there may be other restrictions on how the entitlement can be dealt with. For example, if the legacy retirement product is a **death benefit income stream**, the entitlement may need to be paid from the fund to the recipient and not retained in the fund to comply with fund rules and requirements of the SISR.

Possible tax and social security consequences

Both the commutation of an affected legacy retirement product and any subsequent dealings with the resulting entitlement will also have taxation consequences for the former recipient. For example:

- the commutation of the legacy retirement product will result in a transfer balance account debit for the former recipient, and
- the commencement of another superannuation income stream will result in a transfer balance account credit for that individual.

Many affected legacy retirement products are treated differently to account-based superannuation income streams for transfer balance cap purposes. For example, special valuation methods for determining **transfer balance account** debits and credits may be applicable.

Commuting a legacy retirement product may also have social security implications. Individuals may need to seek financial advice before making decisions about their legacy retirement products to avoid unintended taxation and social security consequences.

Reserves associated with legacy retirement products

Some superannuation funds may have reserves associated with affected legacy retirement products. From 7 December 2024, the Regulation also changes the way that allocations from reserves are treated for taxation purposes, including but not limited to allocations from reserves associated with legacy retirement products. For further explanation of those changes, see **Changes to reserve allocations**.

QC 105078

Superannuation death benefits

What you need to know about receiving a superannuation death benefit after someone has died.

Last updated 10 July 2026

When a person dies, what happens to their super?

When a person dies, in most cases their super fund pays their remaining super and any insurance benefits as a **super death benefit** to their nominated beneficiary.

If the rules of your super fund allow it, you can nominate the beneficiary for your super, by making either a **binding** or **non-binding** nomination.

Binding nomination

If the super fund rules allow a binding death benefit nomination, you can nominate your super death benefit to be received by one or more of your dependants and/or your legal personal representative (executor of your estate).

Non-binding or no nomination

If you have made a non-binding nomination or did not make a nomination, the trustee of the fund may use their discretion to decide which dependant or dependants to pay the death benefit to.

They may also make a payment to your legal personal representative (executor of your estate) for distribution according to the instructions

in your will.

Super funds can offer different options for death benefit nominations, so contact your super fund to find out what applies to your account.

To ensure your super is distributed according to your wishes, we recommend completing a **Super Health Check** at least once a year. In particular, see **Check 5: Check your nominated beneficiary**, which explains why this is important and how to do it.

Payment methods

If a death benefit is paid to:

- **a dependant**, it can be paid as either a lump sum or income stream
- someone who is **not a dependant**, it must be paid as a lump sum.

Who is a dependant

Superannuation law sets out who a death benefit is payable to, while taxation law sets out how a death benefit is taxed.

Dependant under superannuation law

When deciding who will receive a death benefit, you're considered a dependant of the deceased if, at the time of their death, you were:

- their spouse or de facto spouse (of any sex)
- a child of the deceased (any age)
- a person in an interdependency relationship with the deceased.

Interdependency relationship

An interdependency relationship exists between 2 people if **all** the following conditions are met:

- they have a close personal relationship
- they live together
- one or both provides the other with financial support
- one or both provides the other with domestic support and personal care.

If you would like to leave your super to someone who is **not** a dependant under superannuation law, ask your super fund about making a binding death benefit nomination to have the payment made to your legal personal representative. This will ensure your super is distributed according to your will.

Dependant under tax law

For tax purposes, you are a dependant of the deceased if, at the time of their death you were:

- their spouse or de facto spouse (of any sex)
- a former spouse or de facto spouse (of any sex)
- a child of the deceased under 18 years old
- in an interdependency relationship with the deceased
- any other person dependant on the deceased.

The conditions for the existence of an interdependency relationship under tax law are generally the same as those applying under superannuation law.

However, 2 people may also have an interdependency relationship for tax purposes if they have a close personal relationship, and the reason they don't satisfy one or more of the requirements listed above is that one or both suffer from a physical, intellectual or psychiatric disability.

Being financially dependent on the deceased means you relied on them for necessary financial support. Children over 18 years old must be financially dependent on the deceased to be considered a dependant.

How to apply for a super death benefit

If you believe you're the beneficiary of a deceased person's super or are the legal representative of a person's estate, you should contact their super fund to let them know that the person has died and ask them to release their super.

You can also check if the deceased had **ATO-held super**.

Receiving a death benefit income stream

A super income stream involves a series of regular payments (at least annually) from a super fund, drawn from a retirement account.

There are some limits on who can receive a death benefit income stream. Children can only receive an income stream if they are either:

- under 18 years old
- under 25 years old and are financially dependent on the deceased or have a permanent disability.

Adult children with a permanent disability can continue to receive an income stream after they turn 25 years old. In all other situations the

income stream must change to a lump sum **on or before** the date they turn 25 years old.

For more information, see **Tax on super benefits**.

Death benefit income streams and your transfer balance cap

Special rules apply to death benefit income streams.

There is a lifetime limit (your **transfer balance cap**) on the maximum amount you can transfer into one or more tax-free retirement accounts.

If you're receiving a death benefit income stream – either by itself or in combination with another super income stream – you need to ensure you don't exceed your personal transfer balance cap.

Death benefits can be rolled into another fund. However, the new fund must either start a death benefit income stream or pay the amount out of super as a lump sum (or a combination of these). The death benefit can't be retained in accumulation phase.

Death benefits that are rolled over will not lose their death benefit tax treatment.

Credits to your transfer balance account

If you start to receive a death benefit income stream, a credit arises in your **transfer balance account**. The amount and timing of the credit depends on when you started receiving the death benefit income stream, and whether it's reversionary or non-reversionary.

Reversionary death benefit income streams

If you're a beneficiary of a reversionary death benefit income stream, you automatically become entitled to the income stream on the death of the original member. The date of death of the original member is when the income stream first becomes payable to you.

If you became entitled before 1 July 2017

If you became entitled to a reversionary death benefit income stream before 1 July 2017, the credit in your transfer balance account arises on 1 July 2017 or 12 months after the death of the original member – whichever is the later. This means:

- if the member died **before 1 July 2016**, the credit in your transfer balance account arises on 1 July 2017
- if the member died **between 1 July 2016 and 30 June 2017**, the credit in your transfer balance account arises 12 months after the date of the member's death.

If you became entitled on or after 1 July 2017

If you become entitled to a reversionary death benefit income stream on or after 1 July 2017, the credit in your transfer balance account arises 12 months after the date of the member's death.

The amount of the credit is equal to the value of the income stream at the date of the member's death.

Example: reversionary pension

On 15 April 2018, Ivan dies and his super income stream reverts automatically to Sasha.

The value of the super death benefit at this time is $1.1 million. Sasha's transfer balance account will be credited with $1.1 million on 15 April 2019. This is 12 months from the day that the reversionary death benefit income stream first became payable.

Sasha chooses to partially commute her own super income stream and transfers $700,000 to her accumulation account on 15 April 2019. This ensures her transfer balance account does not go above her personal transfer balance cap of $1.6 million.

Alternatively, Sasha could partially commute the reversionary death benefit income stream, but she would have to pay the commuted amount as a lump sum out of the super system because the death benefit can't be retained in accumulation phase.

Non-reversionary death benefit income streams

If you're a beneficiary of a non-reversionary death benefit income stream, you're **not** automatically entitled to the income stream on the death of the original member. You become entitled when you start being paid the death benefit income stream.

The value of non-reversionary death benefit income streams may also include any:

- investment earnings that accrued to the deceased member's interest between the date of death and the date you become entitled to the income stream
- other amounts the super fund has decided to pay as a death benefit income stream.

If you became entitled before 1 July 2017

If you're entitled to a non-reversionary death benefit income stream before 1 July 2017, the credit in your transfer balance account arises

on 1 July 2017. The amount of the credit is equal to the value of your income stream at the end of 30 June 2017.

If you became entitled on or after 1 July 2017

If you become entitled to a non-reversionary death benefit income stream on or after 1 July 2017, the credit arises on the day you become entitled to the income stream. The amount of the credit is the value of the income stream on that day.

Example: non-reversionary pension only

Nathaniel commences a non-reversionary super income stream worth $1.4 million on 1 October 2017. Nathaniel dies on 1 January 2018. At the time of his death, the value of his super income stream is $1.3 million. Nathaniel has no other super interests.

Malena is Nathaniel's spouse and only beneficiary and is entitled to all of his remaining super interest. During the period between Nathaniel's death and when the death benefit income stream starts being paid to Malena, investment earnings of $1,000 accrues.

The value of the death benefit income stream, when it commences on 15 June 2018, is $1,301,000.

On 15 June 2018, Malena starts to have a transfer balance account. A transfer balance credit of $1,301,000 arises for the death benefit income stream.

Malena can start another super income stream, valued up to $299,000 without exceeding her personal transfer balance cap of $1.6 million.

Death benefit income streams that are also defined benefit income streams

Some **defined benefit income streams are treated differently** for transfer balance cap purposes. This includes death benefit income streams that are also defined benefit income streams. They have a special value for transfer balance cap purposes.

The rules of your fund may specify that your death benefit income stream reduces if your circumstances change. These reductions occur mainly with public sector superannuation schemes. Examples include:

- When a reversionary defined benefit pension is paid to a surviving spouse or a beneficiary. In some cases the first payment is the full amount of the payment that was made to the deceased, whereas the second and all subsequent payments are a proportion of the full

entitlement. In this scenario, the annualised payment is based on an inflated figure.

- A reversionary defined benefit pension paid to a surviving spouse is calculated by reference to the deceased's dependent children. Over time, the surviving spouse's entitlement is reduced as the children cease being dependent (generally at 18 or 25 years of age, depending on their circumstances).

You may be entitled to a debit in your transfer balance account if your death benefit income stream reduces because of a change in your circumstances. You will need to contact your fund to know if this debit will apply to you.

The value of the debit is the special value of your lifetime pension or annuity just before the reduction in value **less** the special value of your lifetime pension or annuity just after the reduction in value.

Example 1: defined benefit lifetime pension reduced due to change in circumstances

Jorge's wife Anna was a retired public servant who was receiving a lifetime pension. On 9 August 2019, Anna passes away and Jorge, who is aged 54, begins receiving a reversionary defined benefit pension.

In line with the rules of the fund:

- the first payment to Jorge will equal the amount paid to Anna
- subsequent payments are reduced to three-quarters of the first payment
- the lifetime pension is still payable to Jorge, it is merely the amount of the periodic payments that has changed.

The special value of the pension just before the reduction is $1.6 million.

The special value of the pension just after the reduction is $1.2 million.

The value of the debit equals $400,000.

Jorge will get a **credit** in his transfer balance account of $1.6 million because he starts to receive a retirement phase income stream. As the pension is a reversionary income stream, the credit will not arise in his transfer balance account until 9 August 2020 (see **Reversionary income streams**).

The **debit** arises in his transfer balance account on 6 September 2019, after which the balance of his transfer balance account will

be $400,000.

On 9 August 2020, the credit from the reversionary income stream is applied and the balance of Jorge's transfer balance account will be $1.2 million.

Transactions in Jorge's transfer balance account

Date	Transaction	Debit	Credit	Transfer balance
6 September 2019	Transfer balance account commences	$400,000	$0	−$400,000
9 August 2020	Reversionary income stream	$0	$1,600,000	$1,200,000

Example 2: capped defined benefit pension reduced due to change in circumstances

Rachel commenced receiving a reversionary capped defined benefit income stream on 2 February 2019, following the death of her spouse. The special value of the income stream was $1,000,000, which was credited to her transfer balance account.

Rachel has a dependent child, Sebastian. Under the rules of her super fund:

- Rachel's pension payments will reduce when Sebastian turns 18 on 4 March 2020
- the pension itself does not stop or change hands – only the amount of the payment has changed.

On 1 January 2020, Rachael retired and commenced an account-based pension valued at $620,000.

Rachel's personal transfer balance cap is $1.6 million.

As the income stream was reversionary, the special value of $1,000,000 was credited to Rachael's transfer balance account on 2 February 2020, which is 12 months after she started to receive it.

Rachel did not take this future credit into account and on 4 February 2020, Rachael received an excess transfer balance

determination. This showed that she had:

- an excess transfer balance of $20,000
- excess transfer earnings of $200.

Rachel is required to remove the excess and earnings before 4 May 2020.

On 4 March 2020, Sebastian turned 18. As a result, the fund reduced Rachel's pension payments and reported a debit to her transfer balance account.

Immediately before the reduction, the income stream had been indexed on 1 July 2019, giving it a special value of $1,008,000. After the reduction, the special value was $750,000.

The fund calculated the debit as the difference between these 2 amounts:

$1,008,000 − $750,000 = $258,000

The debit was applied to Rachael's transfer balance account on 4 March 2020.

On 10 March 2020, Rachel receives a notice of assessment for excess transfer balance tax. This confirms that:

- excess transfer balance tax is payable on the earnings that accrued
- the $258,000 debit has been applied to her transfer balance account.

After applying the debit, Rachel's transfer balance account balance was:

($1,000,000 + $620,000 + $200) − $258,000 = $1,362,200

This amount is below her personal transfer balance cap.

This means that Rachel:

- must pay excess transfer balance tax on the excess transfer balance earnings that have accrued between 2 February 2020 and 4 March 2020
- is not entitled to any indexation of her personal transfer balance cap.

Child recipients of a death benefit income stream

How the transfer balance cap applies to child recipients

The transfer balance cap applies in a modified way to child recipients of death benefit income streams.

A person is a child recipient of a death benefit income stream if they're receiving a death benefit income stream and are either:

- under 18 years old
- between 18 and 25 years old and were financially dependent on the deceased
- living with a permanent disability.

Each child recipient of a death benefit income stream from a deceased parent has a **modified personal transfer balance cap**.

The modified personal transfer balance cap depends on the deceased parent's super interests. It is made up of the total amount of 'cap increments' a child recipient is entitled to.

Child recipients are entitled to retain a super income stream (or streams) up to the amount of the cap increment (or increments) without exceeding their modified personal transfer balance cap.

The normal transfer balance rules apply if a child exceeds their modified personal transfer balance cap.

When the modified transfer balance cap arrangements cease

Unless the child recipient has a permanent disability, when they reach 25 years of age the death benefit must be cashed and paid out of the super system. At this time, the modified transfer balance cap arrangements cease (unless the capital has already been exhausted).

Child recipients with a permanent disability are not subject to the cashing out rule. Their modified transfer balance cap arrangements cease when all of the funds that support their death benefit income stream have been exhausted. An exception is if they also have other super income streams, such as a disability pension or an income stream funded by a structured settlement contribution.

If the child recipient subsequently starts receiving a super income stream (other than as a child recipient) they will start a new **transfer balance account** with a personal transfer balance cap based on the general transfer balance cap.

Child recipient of another super income stream

If the child recipient also receives their own super income stream or another death benefit income stream (for example, from an interdependency relationship), their personal transfer balance cap is worked out differently. In this case, the cap is the sum of:

- the recipient's personal transfer balance cap, worked out according to the general rules
- their modified personal transfer balance cap based on the total amount of cap increments they're entitled to as a child recipient.

The death benefit income streams and related modified personal transfer balance cap are disregarded when calculating if the individual is entitled to proportional indexation of their personal transfer balance cap. The proportional indexation of their personal transfer balance cap is worked out according to the general rules.

For child recipients also receiving their own super income stream, their transfer balance account continues after the child recipient death benefit income stream has been cashed out or exhausted.

How cap increments work

Child recipients who are only receiving death benefit income streams don't have a personal transfer balance cap based on the general transfer balance cap. Instead, their modified personal transfer balance cap generally takes into account the value of the deceased parent's retirement phase interests they receive. This is achieved through a series of transfer balance cap increments that accrue to the child recipient.

The cap increments depend on whether the child recipient starts receiving the death benefit income stream:

- before 1 July 2017
- on or after 1 July 2017.

Started receiving income stream before 1 July 2017

The cap increment for child recipients receiving death benefit income streams before 1 July 2017 is equal to the general transfer balance cap at the time, $1.6 million.

The cap increment arises on 1 July 2017 and means the child recipient can be receiving death benefit income streams of up to $1.6 million without exceeding their modified personal transfer balance cap.

Started receiving income stream on or after 1 July 2017

For child recipients who start to receive a death benefit income stream on or after 1 July 2017, the cap increment depends on the following circumstances:

- whether the deceased parent had a transfer balance account before they died

- where the deceased parent did have a transfer balance account, the source of their super interest that the child recipient's income stream comes from
- whether the deceased parent had a transfer balance account and also an excess transfer balance in the retirement phase just before they died.

A cap increment arises for each death benefit income stream received from a parent. If the child recipient starts to receive death benefit income streams because both their parents died, the modified personal transfer balance cap is the total of the cap increments worked out for each parent.

Each cap increment arises when the child recipient starts to be entitled to the death benefit income stream. However, in the case of a reversionary death benefit income stream, the cap increment is deferred for 12 months to align with the modifications for this type of death benefit income stream.

Deceased parent had no transfer balance account

If the parent didn't have a transfer balance account at the time of their death (for example, they died before they were in retirement phase), the child recipient will receive the death benefit income stream from the parent's accumulation phase interest.

In this case, if the child recipient is the sole beneficiary of the super interest, their cap increment is equal to the general transfer balance cap at that time. If the child recipient is not the sole beneficiary of the super interest, their cap increment is a proportion of the general transfer balance cap at that time, reflecting their share of the parent's super interests.

Deceased parent had a transfer balance account

If the deceased parent had a transfer balance account before they died, the child recipient's cap increment depends on the type of super interest their death benefit income stream comes from. This is because only death benefit income streams that come from a retirement phase interest of a deceased parent are entitled to a cap increment.

Generally, an amount is considered to be sourced from the deceased parent's retirement phase interest if the amount came from super interests supporting income streams payable to them just before their death. This amount includes earnings accrued on those income streams after the parent's death, up until a death benefit income stream is paid.

If the deceased parent only had a retirement phase interest, the child recipient's cap increment is equal to the share of the deceased parent's interest they're receiving as a death benefit income stream. However, if the deceased parent had a transfer balance account, but the child recipient's death benefit income stream comes from the parent's accumulation interest, the cap increment is nil.

If the child recipient's death benefit income stream is partially funded by a retirement phase interest and partially from an accumulation interest, the cap increment is limited to their share of the retirement phase interest. The benefit received from the deceased parent's accumulation interest has a cap increment of nil. This means the child recipient will have an excess transfer balance unless they also have either a:

- cap increment because of the death of another parent
- personal transfer balance cap because they have another non-death benefit income stream.

Deceased parent had an excess transfer balance

The child recipient's cap increment is reduced if the deceased parent had a transfer balance account that exceeded their personal cap just before they died. In this situation, the child recipient's cap increment is reduced by their share of the parent's excess amount.

Example 1: child benefit with no existing transfer balance account

Raaf is 16 years old when his father dies in 2018. His father:

- had not retired
- had an accumulation account of $2 million when he died
- didn't have a transfer balance account.

As Raaf is the only beneficiary of his father's super interest, he is entitled to a personal transfer balance cap increment equal to the general transfer balance cap.

As the general transfer balance cap at the time was $1.6 million, Raaf can receive $1.6 million of the $2 million as a death benefit income stream without exceeding his modified personal transfer balance cap. The remaining $400,000 would need to be paid to him as a death benefit lump sum and removed from the super system.

Raaf starts a $1.6 million death benefit income stream. A credit arises in his transfer balance account for the same amount at that time.

When Raaf turns 25:

- he will have to cash any remaining balance of the death benefit income stream out of the super system
- the modified transfer balance cap arrangements will cease at that time
- he will be entitled to a new transfer balance account and personal transfer balance cap when he commences his own super income stream in the future.

Example 2: multiple beneficiaries where transfer balance account exists

Jemima and her sister Willow were 16 and 17 years old respectively when their mother died in January 2018. They are equal beneficiaries of their mother's super interest. Their mother had a retirement phase interest of $1.4 million just before she died.

In March 2018, the trustee of their mother's super fund decides to pay each child a non-reversionary death benefit income stream of $700,000. Both Jemima and Willow are entitled to a personal transfer balance cap increment equal to their share of their deceased mother's retirement phase interest ($700,000, that is 50% of $1.4 million).

In March 2018, a credit of $700,000 arises in each of the sisters' transfer balance accounts. They each receive a personal transfer balance cap increment of $700,000. Therefore, neither has an excess transfer balance.

Shortly after their mother's death, their father also dies. Their father had not retired, and he had accumulation accounts totalling $2 million, of which the sisters were equal beneficiaries.

As their father did not have a transfer balance account before his death, his beneficiaries are entitled to their share of the general transfer balance cap (corresponding to their share of his super interest).

As the general transfer balance cap at the time was $1.6 million, each sister will receive a personal transfer balance cap increment of $800,000 (50% of the general transfer balance cap).

Each sister will now have a modified personal transfer balance cap of $1.5 million ($700,000 plus $800,000).

Each sister starts a new death benefit income stream (worth $800,000) from their father's accumulation interest.

The remaining $400,000 accumulation interest must be cashed out of the super system and provided equally to each of the sisters as death benefit lump sums.

Example 3: structured settlement recipient

On 1 September 2017, Barbara, who has a permanent disability:

- contributes $5 million she received from a structured settlement into her super
- starts a super income stream worth $5 million.

On that day, Barbara starts to have a transfer balance account, with a personal transfer balance cap of $1.6 million.

Her transfer balance account is debited by $5 million for the new super income stream and is credited by $5 million for the structured settlement contribution.

At the end of 1 September 2017, her transfer balance is nil, and she has $1.6 million of available personal cap space.

On 1 January 2018, Barbara's father, Jim, dies. Jim had a $1.6 million non-reversionary income stream. Barbara, Jim's sole beneficiary, was paid a new $1.6 million death benefit income stream from Jim's retirement phase interest.

On 1 January 2018, Barbara's personal transfer balance cap is increased to $3.2 million (her $1.6 million personal transfer balance cap plus the $1.6 million cap increment from her new death benefit income stream). A credit of $1.6 million arises in her transfer balance account on the same day.

Barbara's transfer balance is now $1.6 million, while her available personal cap space is still $1.6 million.

For the purposes of proportional indexation, Barbara's highest transfer balance is nil (as her credit of $1.6 million for the death benefit income stream is disregarded).

Assuming no further changes, she will be entitled to 100% of any future indexation of the general transfer balance cap.

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