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# About to leave the ADF?

## Introduction

This leaflet tells you how to apply for a superannuation benefit when you leave the Australian Defence Force (ADF). It also gives you some information on other important matters, including the way your pension or lump sum is paid, the annual adjustment of your pension and how to roll over a lump sum. It does not, however, explain the way your entitlement is calculated.

You can find out more about your superannuation entitlement by reading the **MilitarySuper Product Disclosure Statement (PDS)**. You can get a copy from your Pay Office, you can download it from the MilitarySuper website [militarysuper.gov.au](http://militarysuper.gov.au) or you can obtain one by telephoning **1300 006 727**.

Some of the information contained in this leaflet may change without notice—particularly the information relating to Centrelink benefits, which are reviewed periodically. The information we have included is correct at June 2007, but you should always check to ensure that you have current information by contacting the appropriate organisation. We cannot stress this last point enough; it is important for your financial security.

## Transition Seminars

We believe that your retirement should be a time of opportunity for you to do the things you've always wanted to do. But for this to happen you need to carefully consider all your options so that you can make informed decisions about what is right for you in your retirement. This involves all aspects of retirement, including lifestyle goals, financial goals and housing. If you have a partner, you will need to sit down together to decide what your goals and aspirations are, and work out how you can best achieve them. There is a variety of sources from which you can obtain information about planning for your retirement. These include retirement and investment seminars, investment advisers and accountants.

MilitarySuper counselling officers regularly give superannuation presentations at Defence Transition Seminars. These presentations cover a variety of superannuation related subjects of interest to Service personnel who may be about to leave the ADF, including information about the benefit options available, the calculation of benefits and how tax will affect your benefit.

If you would like to find out more about Transition Seminars, or you would like to arrange to attend one, you should contact your Transition Officer or your Pay Office.

## Need more information before your discharge?

If you need information about any aspect of your scheme membership or your scheme entitlements before you finish work, you can phone the Customer Information Centre on **1300 006 727**.

## Personal interview

If you wish, you can arrange for a personal interview to discuss your MilitarySuper benefits with a Customer Information Officer. This may be in the company of your spouse or partner, if desired. You can book a personal interview by telephoning the Customer Information Centre on **1300 006 727**.

A personal interview of this type usually covers an explanation of how benefits are calculated, taxation of benefits and any further information about the scheme you may be interested in. Assistance in completing benefit applications or explaining the invalidity process is also offered.

Please note that financial advice or recommendations cannot be provided.

Personal interviews are normally provided on a Base or Unit in conjunction with group Transition Seminars. Transition Seminar dates and locations are published on the MilitarySuper website.

## How to apply for a benefit

First, obtain a benefit application form from your Pay Office or the MilitarySuper website [militarysuper.gov.au](http://militarysuper.gov.au). There are different forms to cater for different types of exit and each of them gives information on the range of benefit choices open to you.

You should read through all the important notes in the relevant benefit application form. Then, carefully complete the form and forward it for processing to MilitarySuper at the address provided on the form.

The forms relating to the various types of exit are as follows:

### Retirement

If you are leaving the ADF on or after reaching statutory retiring age for rank, or turning 55, you must complete the benefit application form **Application for Retirement Benefits** (M20).

### Invalidity retirement

If you are being discharged on medical grounds, you must complete the form **Application for Invalidity Benefits** (M40) and the form **Invalidity Retirement from the Defence Force Medical Information** (DM42). These forms can be obtained from the MilitarySuper website [militarysuper.gov.au](http://militarysuper.gov.au)

### Involuntary retirement (retrenchment)

If you are being retrenched you should complete the benefit application form **Application for Benefits on Retrenchment** (M10). You may complete this form up to three months before, but no later than three months after, your discharge. This is particularly important to note if you want a pension, because your benefit will be automatically preserved until you reach your preservation age if an election is not received within three months of your discharge.

### Resignation

If you are leaving the ADF before your statutory retirement age or before you turn 55, you should complete benefit application form **Application for Resignation Benefits** (M1).

## When can I lodge the forms?

While we cannot process the payment of your benefit until after your discharge date, you may submit your application to us up to three months before this date. This will allow us enough time to make sure all the necessary documentation and information has been provided well ahead of your discharge. However, you should take care not to make a decision too quickly without considering all your options.

Your pension will generally commence on the first available pension payday after your discharge date or the date that we receive all your correctly completed documentation, whichever date is later. Please bear in mind that processing times are subject to workloads at the time a benefit application is received.

Ensuring that you have completed the paperwork properly will help to lessen the likelihood of delays.

If you are anxious to know how the processing of your benefit is proceeding, you can ring **1300 006 727**.

## Some points to note

### Preservation and MilitarySuper

If you leave MilitarySuper without an entitlement to pension you must preserve your employer and productivity components in MilitarySuper until at least age 55. From age 55 onwards you can take the employer component as a pension or keep it preserved. Lump sum benefits must remain preserved within MilitarySuper or a rollover Fund until you reach your preservation age.

The member benefit you accrued to 30 June 1999 is available to you at any time after your date of exit. The rest of your member benefit must remain preserved either within MilitarySuper or a rollover Fund until you reach preservation age.

### What is my preservation age?

From 1 July 1999, the preservation age increased for people born after June 1960, as shown in the following table:

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

Your preservation age is when you have full access to lump sum benefits. Pension benefits can generally be taken from age 55.

### Preservation application forms

You can make an election to preserve using the benefit application form appropriate to your type of exit from the ADF.

## Superannuation surcharge

A superannuation surcharge is payable by members whose adjusted taxable income (taxable income plus the value of employer contributions to their superannuation) exceeded certain levels before 1 July 2005.

Also, members who had declined to provide their Tax File Number (TFN) for superannuation purposes may have had surcharge assessed.

If you had a surcharge debt advised to you for a previous year or years, by either the ATO or MilitarySuper, and you have not paid off the debt, this debt will be actioned as per your benefit application.

If the ATO advises you of a surcharge liability after the date you take your benefit, you need to pay the debt direct to the ATO.

### Anything else?

If you are taking some, or all, of your benefit as a pension, you should also complete a **Tax File Number Declaration** form if you have not already provided your Tax File Number to MilitarySuper.

This form enables you to claim the tax-free threshold plus any other relevant taxation offsets. If you do not send in one of these forms, MilitarySuper is required to deduct tax from your benefit at the highest marginal rate. The form is available from the Australian Taxation Office (ATO) but your Pay Office may also have copies. If you are receiving a full lump sum benefit, you need only insert your Tax File Number (TFN) on your benefit application form.

If you think you might be exempt from paying the Medicare Levy after your discharge, you must complete a **Medicare Levy Variation Declaration**. The exemption generally applies only to members who will have most of their medical expenses paid by the Department of Veterans' Affairs (DVA) or under Commonwealth or Defence Compensation provisions. The Declaration gives more detailed information about who is eligible for an exemption, and provides instructions for its completion.

## Arrangements for the payment of pensions

### How is my pension paid?

If you choose to take some of your benefit as a pension, it will be paid to you on Thursdays alternate to those on which Defence Force salaries are paid. It will be paid by direct credit into your account with a bank, building society or credit union. The account may be in your name only, or it may be held jointly with another person.

Fortnightly payslips are not issued.

## Scheme members residing overseas

Pensions cannot be paid directly to an overseas address or financial institution. If you intend living overseas after you retire, you must make arrangements with your financial institution to have your pension paid into an account in Australia and then have the financial institution make periodic payments to you overseas. You should also contact the ATO to find out whether you will be required to pay Australian tax.

### Taxation deductions

Taxation deductions, which normally include the Medicare Levy, will be made from your pension. The amount of tax deducted will depend on whether you have notified us of your TFN and whether you wish to claim any offsets or deductions.

In July each year, MilitarySuper will send you an income tax payment summary containing details of pension payments and taxation instalments deducted by MilitarySuper, and details of eligibility for superannuation tax concessions. You will need this information to lodge your Income Tax Return and it should be retained as evidence, if needed, of income you have received from MilitarySuper.

### Change of address

After you finish work, you should always advise us when you change your address. Each year we send you some important papers, including advice of adjustments to your pension, and your income tax payment summary. If you have preserved your benefit in MilitarySuper you will receive an annual member statement. If you forget to tell us when you change your address, you might get such documents late or not at all. You can advise us of a change of address through the MilitarySuper website [militarysuper.gov.au](http://militarysuper.gov.au) or by phoning **1300 006 727** for the cost of a local call.

Your address and any other personal information will always be treated confidentially, and we will not disclose it to a third party without your written authority.

### Biannual adjustment of pension

MilitarySuper pensions are automatically adjusted twice yearly in line with upward movements in the Consumer Price Index (CPI) for the six months ending 31 March and 30 September each year. Adjustments are paid on the first pension payday in January and July each year.

For an increase to apply in a period, the Consumer Price Index at March or September must be higher than the Consumer Price Index used when pensions were last increased. There is no adjustment in a period where the Consumer Price Index declines rather than increases.

A statement is issued in January and July showing the new rate of pension. The income tax payment summary and other relevant information is included with the July statement.

For more information on the Consumer Price Index, see the Australian Bureau of Statistics website [abs.gov.au](http://abs.gov.au)

## Arrangements for the payment of a lump sum

If you have chosen to receive a lump sum as part of your benefit, the amount is generally paid to your nominated account within 8–10 working days of your discharge date or the date we receive your correctly completed paperwork, whichever occurs later.

## Rolling over a lump sum

### What is a rollover?

When you apply for your lump sum you are faced with two choices.

1. You can take the lump sum and we will deduct a tax instalment from that amount and pay the balance to the account you have nominated in your benefit application form. (Information about the rate of tax payable on lump sums is contained in the **Taxation of Lump Sums** leaflet, available from your Pay Office or the MilitarySuper website.)
2. You can roll over all or part of that lump sum, if you are under the age of 65. You can roll it over to a superannuation Fund, an allocated pension Fund, an approved deposit Fund or a deferred annuity Fund, or you can use it to purchase an immediate annuity or allocated pension.

If you choose the second option, tax that would normally be paid on receipt of the lump sum is deferred until you eventually receive payment from the rollover institution.

### What happens if you roll over your lump sum?

When you roll over your lump sum, MilitarySuper will send the rollover payment directly to your rollover Fund. You will also receive a Rollover Benefit Statement attached to the letter detailing your benefits shortly after your scheme exit.

MilitarySuper will not deduct any tax from your rollover amount when we process it. Any tax that is due on rollover is normally paid by the rollover Fund, which then passes the tax on to you by reducing the amount of the lump sum that you pay into the Fund. The tax due at that point relates only to the untaxed post-1983 component. Your rollover Fund will deduct 15% of the untaxed taxable component to cover the tax. Any other tax due will not be payable until you actually withdraw your benefit from the rollover Fund. Your selected rollover Fund should be able to give you more information about the tax that will apply to your rollover.

For an explanation of the various tax components, please read the **Taxation of Lump Sums** factsheet.

### Why roll over?

Your choice on whether to take the lump sum or to have it rolled over will depend on your financial circumstances at the time.

With tax legislation changes introduced with effect 1 July 2007 the tax rates applicable to your benefit will depend on your age at the time you access your benefit. For an explanation of the tax rates, please read the **Taxation of Lump Sums** factsheet.

A financial planner can give you advice on this. A list of certified financial planners is available from the Financial Planning Association website [fpa.asn.au](http://fpa.asn.au)

## Documents you may receive from MilitarySuper after your discharge

After your discharge, you will receive some documents from us relating to your benefit payment. Depending upon which benefit option you choose, these documents may include:

- › a benefit payment letter, advising you of your benefit entitlement and the date on which your pension will start (if you are taking some or all of your benefit as a pension)
- › a copy of your Rollover Benefit Statement
- › a PAYG Payment Summary - superannuation lump sum which shows the split-up, for taxation purposes, of the lump sum you received (make sure you keep this for inclusion with the first tax return you submit after you exit the scheme)
- › an annual benefit adjustment advice (if you are receiving a pension, a payment summary is sent to you in July each year)
- › an annual member statement, if you preserve your benefit.

## It's a lot of money, so who's going to help you invest it?

Most of us haven't had much experience in handling large sums of money. It is particularly important that you make the right decisions when investing superannuation monies. Where do you go for information you can trust?

The first step we suggest is to attend a Transition Seminar to ensure that you have the basic facts and a good understanding of the issues involved. You may then be in a position to make your own decisions.

You may also be interested to know that Centrelink offers a free, confidential and unbiased Financial Information Service (FIS) to its clients and to those people approaching retirement or facing retrenchment.

You can obtain objective information on approaches to investing, general taxation issues and all Centrelink or DVA entitlements as well as the relevant income and assets tests. FIS officers will not recommend or give an opinion on how you should invest your money or whether a particular investment is a good investment. They will help you clarify your financial needs and discuss with you the characteristics, and advantages and disadvantages of different types of investments. You will then be in a better position to know what options are available to you.

For more information about the Financial Information Service, please contact your local office of Centrelink or phone **13 23 00** and ask to speak to an FIS officer. You can also ask for your free copy of **Investing Money—Your Choices**. This booklet is for retirees and people planning their retirement. It explains the basics of financial planning and investment, how to find a financial adviser, and provides information about different investment products: how they work, and how they affect taxation liabilities and Centrelink or DVA entitlements.

### Choosing a financial planner

Further information can be sought from financial planners. Below are some suggestions from the Australian Securities and Investments Commission (ASIC) about choosing a financial planner:

Do not feel pressured when choosing an adviser. It's your money and your choice, and you may wish to shop around and seek a second opinion.

- › It is your right and responsibility to check the adviser's background, including his or her credentials.
- › You should check the type of products they can advise on (some advisers may lean towards their employer's products).
- › You should ask how the adviser is paid, for example, by commission or an hourly fee. Some may recommend products that will bring them a greater commission but are not right or appropriate for you.
- › You should also ask if the adviser is a licensed securities dealer, a licensed investment adviser or the authorised representative of a licence holder.
- › Advisers do not provide their services free of charge. All recommendations and disclosure of income payments and other benefits should be provided to you in writing. The written information should also include all costs you will have to pay to invest.

ASIC publishes a brochure entitled **Don't Kiss Your Money Goodbye—How to Choose a Financial Adviser**. The brochure provides more information on the subject of investment and can be obtained from your regional office of ASIC or the ASIC website [asic.gov.au](http://asic.gov.au). The brochure also contains telephone numbers you can ring for information about any aspect of investment.

## Eligibility for Centrelink or Veterans' Affairs benefits

Depending on your circumstances, you may also be entitled to receive a benefit from Centrelink (or the DVA if you have had recognised war service). Quite often, people don't know whether they have an entitlement, either in full or in part, to a benefit from one of these sources.

For example, to be eligible for some part of the age pension, males must be at least 65 years old and females at least 62 years. As well, you must pass both the income test and the assets test.

### Women's age pensions

The qualifying age scale is shown below.

Date of Birth	Qualification age
1 July 1935 to 31 December 1936	60.5
1 January 1937 to 30 June 1938	61
1 July 1938 to 31 December 1939	61.5
1 January 1940 to 30 June 1941	62
1 July 1941 to 31 December 1942	62.5
1 January 1943 to 30 June 1944	63
1 July 1944 to 31 December 1945	63.5
1 January 1946 to 30 June 1947	64
1 July 1947 to 31 December 1948	64.5
1 January 1949 and later	65

### Don't forget ...

Even the smallest Centrelink part-pension attracts a range of concessions, including medical and pharmaceutical concessions, free hearing aids, free basic dental treatment at public dental clinics, and a telephone allowance.

It also provides State concessions such as cheaper rates, electricity and gas, car registration and bus/rail fares. Many businesses, hairdressers, clubs and other organisations also provide concessions and discounts for age pensioners.

Even if you don't qualify for the age pension, you may still get assistance from Centrelink. The Seniors Health Card is available to people of Age Pension age, or Service Pension age if you're a veteran, and entitles you to cheaper prescriptions. To qualify for a Seniors Health Card, your income must be less than \$50,000 for a single, \$80,000 for couples, or \$100,000 for couples separated due to ill health. Your local Centrelink office can provide more details.



## *Have you made a will?*

Getting ready for retirement involves a lot of planning. You must take a wide range of factors into account to ensure that it will be free of financial worry for you and your family.

Making a will is a very important part of the retirement planning process. A properly made will can save a great deal of confusion and emotional stress for your family. A will provides you with the only guarantee that your assets are distributed in accordance with your wishes after your death.

A will is not expensive and, in most cases, it can be prepared quite quickly by a solicitor or by the Public Trustee. Of course, you can make your own will by buying a specially printed form from a newsagent but this approach can be fraught with danger and the repercussions can be great if you get it wrong.

Once you make a will, keep it in a safe place. For example, ask your solicitor to hold it for you or arrange to have it kept in a bank security box. But, whatever you do, make sure someone knows where you have secured it. A will isn't much use if nobody knows where it is.

If you don't already have a will, or if your current will needs amending, we strongly recommend that you seek professional advice from a solicitor or from the Public Trustee in your state or territory.

## *Need further help after you finish work?*

### **Where's my benefit?**

If you need to find out how the payment of your benefit is progressing, you should contact us by telephoning **1300 006 727**.

### **Preservation enquiries**

For enquiries regarding preservation benefits, please ring **1300 006 727**.

### **Pension enquiries**

If you wish to enquire about the payment of your pension, notify us of a change of address or bank details, or ask when your group certificate will be sent, please call us on **1300 001 877**.

## **General information**

Updated copies of all MilitarySuper publications are available on the MilitarySuper website. In addition there is a lot of general information about the scheme including legislation and frequently asked questions. You are welcome to download copies of any of this material from the website **militarysuper.gov.au**

## *Don't forget your non-superannuation benefits*

Your superannuation benefit is the primary benefit you will receive when you finish working, but don't forget to also check with your Pay Office about your unused leave entitlements.

## *And finally ...*

Leaving work is one of the biggest decisions you will have to make and there are lots of things that you should consider before that final day. However, if you plan for your retirement and consider all your available options, you should be able to look forward to a long, happy and financially secure retirement. And the first part of your plan should be to come along to one of our Transition Seminars.

We hope that this leaflet has given you a few ideas to consider. Remember, only you can finally decide what you really want from your retirement ... so start planning now.

## *If you need more information ...*

Phone: Customer Information Centre 1300 006 727  
Fax: (02) 6272 9617  
Website: [militarysuper.gov.au](http://militarysuper.gov.au)  
Email: [members@enq.militarysuper.gov.au](mailto:members@enq.militarysuper.gov.au)  
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