



**vision**  
super

**READY,  
AIM,  
RETIRE**

Vision Super's  
**Three Bucket Pension**

# An **easy** retirement income

## **Enjoy retirement without worrying where your money is coming from.**

Vision Super's new, low-cost retirement income strategy, 'Three Bucket Pension', can help you control how long your savings last, providing you with a stable, regular income in retirement.

The Three Bucket Pension retirement strategy aims to strike a balance between income stability and capital growth over the medium to long term. It's designed to help make your money last as long as possible. You still have the flexibility to make lump sum withdrawals to pay for extras, such as holidays, but withdrawals like these will impact the length of time the pension lasts.

This isn't available for Non-commutable (transition to retirement) account based pensions.

## **Key pension features**

- **Income** - Choose your annual income and receive regular payments subject to the Government's minimum annual payment requirements.
- **Investments** - Set-and-forget strategy which involves investing in 3 of our investment options (Cash, Conservative and Growth) in proportions we determine (taking into account your annual income). This retirement strategy aims to provide you with income while also helping to manage the risk of you outliving your money.
- **Flexibility** - Access additional money whenever you need it (but this will increase the risk of you outliving your money).
- **Payment frequency** - Receive regular payments at a frequency that suits you. These payments are on top of the Government Age Pension you receive (if eligible).
- **Automatic rebalancing of your portfolio** - In August each year, we check how your pension account is invested and, if necessary, based on rebalancing rules, we will rebalance your investment portfolio.



## **Simplicity and ease of use**

You can select a Three Bucket Pension when setting up your account and leave the ongoing investment decisions to us. You can still make decisions about other features of your pension (subject to some additional terms and conditions applicable to a Three Bucket Pension). For an explanation of all features of the Three Bucket Pension, consider the Vision Income Streams Product Disclosure Statement available at: **[visionsuper.com.au/super/publications](https://www.visionsuper.com.au/super/publications)**

# Who should choose the Three Bucket Pension?



This pension has been designed for members who prefer a **set-and-forget retirement strategy** and are happy for us to manage investments in the Cash, Growth and Conservative options associated with that strategy (including through annual rebalancing of their investment portfolio).

It's been designed without taking into account your personal situation, needs or objectives. Whether it's right for you and whether your money lasts depends on your personal circumstances. We recommend you get personal advice about this.

## Why three buckets?



The Three Bucket Pension is an Account based pension retirement strategy where your money is divided into three different buckets - short, medium, and long-term - to leverage the relationship between risk and return.

Essentially, **the three bucket approach** is a retirement strategy available to you which involves us investing your account balance into three investment options (each with different characteristics) that we offer. When you select a Three Bucket Pension, you are choosing to invest in these investment options in the proportions we determine.

Time period	Investment type and risk/return relationship
<b>1. Short</b>	A <b>Cash bucket</b> invested in the Fund's 'Cash' option. This bucket is designed to fund your regular pension payments over the next two to three years.
<b>2. Medium</b>	A <b>Conservative bucket</b> invested in the Fund's 'Conservative' option to provide some stability over the medium to long term.
<b>3. Long</b>	A <b>Growth bucket</b> invested in the Fund's 'Growth' investment option. This bucket is invested in more aggressive assets designed to grow your savings and make them last longer. Returns in this option may fluctuate more over the short to medium term than those in the other buckets.

# What happens when I start?

## When starting this pension, you need to choose an annual income.

Once this amount has been determined, Vision Super will put three years' worth of income into the Cash bucket; with the remaining split equally between Conservative and Growth.

The minimum payment amount is an amount you must take as pension payments each financial year and it's calculated as a percentage of your account balance at 1 July each year.

By law, we need to pay at least the minimum pension payments each year.

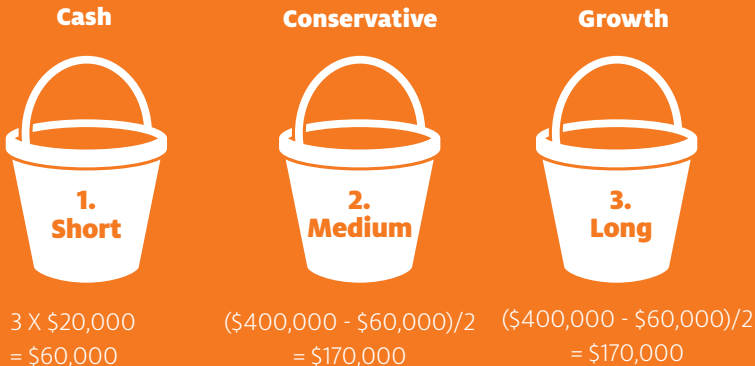
There is no maximum annual pension payment limit.

Minimum payment amounts by age	
Age	Minimum
55 – 64	4%
65 – 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 – 94	11%
95 +	14%

## Example of a Three Bucket Pension set-up

### Mary is 65 years of age and has a balance of \$400,000 to start her Three Bucket Pension on 1 July 2019.

Mary would like to receive the minimum annual pension payment amount (or \$20,000 per annum for the 2019/2020 financial year, which is the 5% minimum pension payment amount set by the Government for that year based on her age). Her initial account balance will be invested as follows:





✓ **Good to know**  
We manage the  
investments for you

## Your pension payment options



**Selecting your payment options is more than just choosing how much you'll receive.**

You'll need to choose how often you receive pension payments. You can set the payments as a fixed amount, or the minimum percentage of your account balance. The choices you make will have a big impact on how long your savings will last, so it's important to think about your long-term needs.

Remember, you can always make extra withdrawals if you need a bit more money to help pay for something out of the ordinary but this means your savings won't last as long.

### **Eligible payment option rules**

- › You must be paid at least once a year. Alternatively, you can choose to be paid twice monthly, once a month, bi-monthly, quarterly, once every four months, twice a year or annually.
- › You must be paid a minimum percentage of your account balance each year based on your age.

# Rebalancing the Three Bucket Pension

## Rebalancing is the process of realigning the weightings of the buckets

Rebalancing will happen annually by buying and selling units to maintain the desired level of assets in each bucket. The objective of rebalancing is to maintain a minimum of two years of pension payments in the Cash bucket.

We calculate two years of pension payments based on the amount in your account as at the previous 1 July and the latest annual income amount you have chosen. Each August, Vision Super will review your account as at the previous 30 June, and depending on the amount of money within the Cash bucket, and the earnings in the other two buckets at that date, rebalancing may occur.

We will rebalance based on the following two rules:

## First rebalancing rule



**Cash balance as at previous 30 June is between 2 to 5 years' worth of annual pension payments**

### STEP 1

**Check net investment returns in Conservative and Growth buckets for the last financial year**

#### Possible scenarios

- ▶ Earnings in both investment buckets are positive.
- ▶ Positive earnings occur in one bucket, negative earnings in the other.
- ▶ Earnings in both investment buckets are negative.

### STEP 2

#### Rebalance

- ▶ Any positive earnings from the year to 30 June in either of the investment buckets go into the Cash bucket.
- ▶ Any investment bucket with negative earnings remains untouched.



### Good to know

You can still access your money

## Second rebalancing rule



Cash balance as at previous 30 June is under 2 years' worth of annual pension payments

### STEP 1

Check net investment returns in Conservative and Growth buckets for the last financial year

#### Possible scenarios

- ▶ Earnings in both investment buckets positive.
- ▶ Positive earnings occur in one bucket, negative earnings in the other.
- ▶ Investment earnings in both investment buckets are negative.

### STEP 2

#### Rebalance

- ▶ Any positive earnings in either of the investment buckets up to previous 30 June go into the Cash bucket.
- ▶ Any investment bucket with negative earnings remains untouched, unless the next rule applies.
- ▶ If the balance of the Cash bucket after moving any positive earnings is still less than 2 years' worth of the annual minimum pension payments, then equal amounts are taken from the other two investment buckets, irrespective of their earnings, to replenish the Cash bucket so that it holds 2 years of annual income.



**Please note** If the cash bucket holds more than five years of benefit payments, any balance over 5 years' worth of pension payments is moved back into the Conservative or Growth buckets in equal amount.

# Rebalancing example

**Mary starts her Three Bucket Pension with \$400,000 on 1 July 2019.**



She chooses an annual income of \$20,000 which was paid to her monthly (\$1,667) during the 2019/2020 financial year. In July 2020, Mary chooses to maintain the same level of annual income (ie. 5% of her account balance). In August 2020, her account details as at 30 June 2020 are reviewed and her investment portfolio is rebalanced accordingly:

	Cash bucket	Conservative bucket	Growth bucket
<b>Initial balances at 1 July 2019</b>	\$60,000.00	\$170,000.00	\$170,000.00
<b>Pension payments* 2019/2020</b>	-\$20,000.00	Not applicable	Not applicable
<b>Earnings in 2019/2020**</b>	\$900.00	\$4,250.00	\$6,800.00
<b>Balance at 1 July 2020</b>	\$40,900.00	\$174,250.00	\$176,800.00
<b>What rebalancing needs to occur</b>	In August 2020 when the rebalancing occurs, the Cash bucket will need to hold at least two years' worth of pension payments and less than five years. Any positive earnings from the Conservative and Growth buckets in the prior financial year will be transferred to the Cash bucket where this isn't the case.		
<b>Transfer of positive earnings from other buckets</b>	\$11,050.00	<b>-\$4,250.00</b>	<b>-\$6,800.00</b>
<b>New balances after rebalancing</b>	\$50,950.00	\$170,000.00	\$170,000.00
<b>Final check</b>	<b>The cash bucket now has greater than 2 years of pension payments but less than 5 years.</b>		

\* This example assumes there are no other payments made from Mary's account during the 2019/2020 financial year. Lump sum withdrawals (partial commutations), which can only be made from the Conservative and Growth bucket (in equal proportions) will impact the rebalancing.

\*\* Earnings are shown for illustrative purposes only and are not guaranteed. The illustrative earnings are based on the investment objective for each investment option in which a Three Bucket Pension is invested. The performance of these options will vary each year and may not replicate the investment objective. The performance of these options does not reflect the impact of administration fees or other fees and costs you may incur. Please refer to the relevant Product Disclosure Statement for further information including applicable fees and charges.





**Good to know**

Your super and age pension can work together

# Your easy retirement solution

## Book an appointment with a planner today

 [www.visionsuper.com.au/book](http://www.visionsuper.com.au/book)

 1300 017 589

 [memberservices@visionsuper.com.au](mailto:memberservices@visionsuper.com.au)

## For more information visit

 [www.visionsuper.com.au/retirement](http://www.visionsuper.com.au/retirement)



The information contained in this document was current at the time of publication. Vision Super believes the statements are correct and not misleading, but we give no warranty in relation to them. All services and products detailed are subject to Australian laws that may change. This information may contain general advice that does not take account of your financial situation, specific needs or objectives. Remember, your circumstances and financial needs are unique. Before acting on the basis of anything contained in this document, you should consider whether it is appropriate to your needs and circumstances. You should obtain and read the relevant Product Disclosure Statement and Financial Services Guide before acquiring any financial product. Past performance is not an indication of future performance. We suggest you seek professional advice to make the best choice for your circumstances. Where tax information is included you should consider obtaining tax advice. Vision Super Pty Ltd ABN 50 082 924 561, AFSL 225054, RSE Licence L0000239 is the Trustee of the Local Authorities Superannuation Fund ABN 24 496 637 884.

**Level 15, 360 Collins Street, Melbourne VIC 3000. PO Box 18041, Collins Street East VIC 8003**  
**[www.visionsuper.com.au](http://www.visionsuper.com.au). Retirement Hotline 1300 017 589 Reception 03 9911 3111.**