



WHAT IS A term allocated pension (TAP)?

JULY 2026

A term allocated pension (TAP) can provide tax-effective, regular income to help meet your income needs in retirement.

How does a term allocated pension (TAP) work?

When commencing a TAP, you choose the term (within government limits) and income payments will be made over this timeframe. Your pension will continue until:

- The end of the term, or
- Your pension account balance is zero, or
- You transfer your pension to another product provider that offers a TAP.

A minimum income payment is payable each year; however, you can vary this amount by 10% (up or down) as you choose.

Pension payments

When you commence your pension, your payment is calculated based on your account balance and the nominated term. The pension payment is then recalculated every 1 July by dividing the remaining account balance by the relevant payment factor, which is determined by the remaining term.

The following table shows payment factors according to the remaining term at purchase, or on 1 July each year.

Term	Payment Factor	Term	Payment Factor	Term	Payment Factor
30	18.39	20	14.21	10	8.32
29	18.04	19	13.71	9	7.61
28	17.67	18	13.19	8	6.87
27	17.29	17	12.65	7	6.11
26	16.89	16	12.09	6	5.33
25	16.48	15	11.52	5	4.52
24	16.06	14	10.92	4	3.67
23	15.62	13	10.3	3	2.8
22	15.17	12	9.66	2	1.9
21	14.7	11	9	1 or less	1

Source: Superannuation Industry (Supervision) Regulations 1994.

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When determining your payment, you have the flexibility to increase or decrease the calculated amount by 10%.

For example, Miranda is age 75 and rolls her existing TAP, with a balance of \$200,000 into a new TAP, commencing 1 July 2026. She chose a new term of 18 years. Her annual pension in year one is equal to $\$200,000 / 13.19 = \$15,163$. She can increase or decrease this amount by up to 10% (\$1,516) as desired.

Term of your pension

When commencing a TAP, you choose the term of the pension, that is, the number of years you want your pension to be paid to you. This decision is permanent, and once your pension has started, you cannot change the term chosen¹.

The term for your pension is between a minimum and maximum allowable term. The length of the term depends on when the pension was started, and your age at that time. If the pension was set up as a reversionary pension, then the term of the pension could also be set based on the reversionary beneficiary's life expectancy.

Did you know...

The ability to commence a TAP from a rollover of existing superannuation savings ceased on 19 March 2007. A term allocated pension commenced today is available using proceeds from the commutation of certain existing income streams only.

Estate planning

When you start a TAP, you can nominate a reversionary beneficiary who will continue to receive your pension payments in the event of your death. If you didn't make a reversionary beneficiary nomination, you can make a binding or non-binding death benefit nomination.

If you pass away and have nominated a reversionary beneficiary, payments will continue to be made to your reversionary beneficiary (unless they pass away before you or they elect not to receive the reversionary pension²). If you and your reversionary beneficiary pass away before the end of the term, any balance remaining will be paid to your estate, the estate of your reversionary beneficiary, or other beneficiaries.

Social security

A TAP may be classified as an asset-test exempt income stream for social security purposes. This means the pension may receive favourable treatment under the assets test.

For the assets test, TAPs that were originally purchased prior to 20 September 2007 will have 50 per cent of the account balance exempt from assessment. The favourable assets test treatment continues to apply to existing TAPs beyond 20 September 2007 and consequently may assist your current or future ability to qualify for certain social security entitlements.

A TAP may only be purchased on or after 20 September 2007 in limited circumstances.

1. You may be able to change your term by transferring your pension to another complying super fund that offers term allocated pensions with the option to select a new term.
2. If your TAP was established using the life expectancy of your reversionary beneficiary, and you pass away, your pension payments will automatically be paid to your reversionary beneficiary and can't be taken as a lump sum.



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Broadly, a TAP may be purchased only with the proceeds arising from the commutation of another TAP or similar type of pension. If a TAP is purchased on or after 20 September 2007 favourable assets test treatment will only apply in very limited circumstances. Otherwise, the total value of a TAP purchased on or after that date will count as an assessable asset for social security purposes.

A complying pension that was originally purchased prior to 20 September 2004 that was 100 per cent exempt from the assets test for social security purposes will lose this concessional treatment and become fully assets tested when transferred to a TAP.

For the income test, assessed income generally includes an amount equal to the difference between the total annual pension payment reduced by a 'deductible amount' that reflects a return of the purchase price where the term of your TAP is more than 5 years³, otherwise the deeming rules apply.

For more information, refer to Services Australia website at www.servicesaustralia.gov.au and search 'income streams'.

3. Also applies where the term is greater than life expectancy, where your life expectancy is less than five years. Life expectancy is determined by The Australian Government Actuary, life tables at www.aga.gov.au