Australian Super Made Easy Series Two

Transcript Episode Two: accessing superannuation

Summary: CAAMA Radio host Kyle Dowling speaks with AustralianSuper representative Darryl Florence on how to access super - how old you need to be, early withdrawal options, financial hardship payments and how early release of super on compassionate grounds works.

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Content:

KYLE

Welcome to the second episode of Australian Super Made Easy series to a six-part radio programme on superannuation brought to you by Australia's largest Superfund Australian Super. Last episode, we learned about what super is, today we will hear about how to access superannuation. Darryl Florence from AustralianSuper Darwin is with me again today. Welcome back, Darryl.

DARRYL

Thanks for having me back.

KYLE

Let's start with preservation. What is preservation?

DARRYL

Okay, before I start, I do have to quickly remind you that this discussion is general in nature, and doesn't take into account your individual needs and circumstances. And before making any financial decisions, you consider if the information is right for you. Like I mentioned previously, that your super account is a bit like a bank account with special tax advantages, and some specific rules on when you can take money out. preservation in a super perspective refers to the rules of when you can take any money out of your super account to spend. There are two main conditions in Super preservation rules, your preservation age, and whether you've retired from the workforce. Now each of us has a preservation age that is based on when we were born. Your preservation age refers to the age at which you can access your super account under normal circumstances. As I said, your preservation age is set by your date of birth. For example, if you were born after 30, June 1964, your preservation age is 60. That means for all those people born after that date, so you are currently under 58 years of age, they can't access their super until they turn 60. Even then they can only get their super as a pension until they retire from working, or turn 65. Now that's the simplest answer on preservation. If your date of birth is before July 1964, it's a little trickier to work out. Like I said, your preservation age is set by your date of birth. So let's look at exactly what your preservation age is. If you were born before July 1964. If you are currently 57 or older, you've already satisfied your preservation age. But if you were born between one July 1963 and 30, June 1964, your preservation age is 59. So on your next birthday, when you turn 59, you'll have satisfied your preservation age. And like I said before, if you're born after 30, June 64, your preservation age is 60. Now once you've reached your preservation age, and you're not 65 yet, and you're still working, you can start taking your super out as a pension if you want until you turn 65 You can only access your super as a lump sum if you retire from working. It's also important to mention that if you take your super out before you turn 60, you may also have to pay tax on it.

KYLE

Can super be withdrawn early?

DARRYL

Yeah, your super can be taken out before your preservation age, but only in special limited circumstances. There are strict laws about when super funds can release his super. There are some special circumstances when you can take your Super out before your preservation age, such as if you're totally and permanently disabled. If there are compassionate grounds to release your super if you have a terminal illness or injury, and you're likely to pass away within two years, or you're suffering from severe financial hardship and can't meet your living expenses. There are some special arrangements recently due to COVID where you could have taken some of your super out if you're in financial hardship. There were special rules around this. But if you did take money out of your super due to COVID. The Tax Office is allowing you to put that money back into super now if you want to. This is so that your eventual retirement savings are not affected too much by the early withdrawal. If you want to re-contribute this money back into your super, contact your fund to find out if you'll need to complete a real contribution form.

KYLE

We're going to head to a break now we will hear more from Darryl Florence shortly.

DELROY

G’day I'm Delroy and don't know much about Super just know that work. put some money away for me in the future.

KYLE

I'm Kyle Dowling and you're listening to Australian Super Made Easy series two. I'm speaking with Darryl Florance from AustralianSuper in Darwin. Darryl, what is financial hardship?

DARRYL

In Super terms Kyle financial hardship means that you are struggling financially and can't pay your bills or meet your immediate living needs. If that is your situation, you should talk to you Superfund, to see if you make the rules to release some of your super early.

KYLE

Who is eligible for financial hardship?

DARRYL

This can be a bit tricky to explain. But I think it's important to make sure that the listeners understand the strict rules that apply to financial hardship releases. The main rule relates to receiving income payments from Centrelink. If you're not receiving regular income payments from Centrelink, at the time you apply for financial hardship payment, it can't be approved. And your Superfund can only release enough to cover your bills up to a maximum of $10,000 and no more than one payment in any 12-month period. That means if you've accessed some of your super under financial hardship within the last year, then you can't apply again until a year has passed from the previous payment.

KYLE

So, what are the rules around financial hardship and your preservation age?

DARRYL

Well, it's slightly different if you're under your preservation age, or if you're over your preservation age plus 39 weeks or nine months. People who are under their preservation age must be receiving a Centrelink income support benefit for at least 26 weeks or six months continuously at the time of applying. If you're at your preservation age, plus 39 weeks or nine months, you must have been receiving Centrelink income payments for at least 39 weeks since reaching your preservation age, and you're unemployed or employed for less than 10 hours a week. In this case, your Superfund can release any amount required to meet your financial needs. If you're Centrelink payments, stop and restart, then you have to wait until you've been receiving them for 26 or 39 weeks continuously and still be receiving them when you apply to withdraw your super. In addition to the Centrelink income test, you also have to provide enough information to your Superfund to prove that you have significant bills that you can't pay. Once you've done all that you can apply to your Superfund to release some of your super account to pay your outstanding bills and living expenses. Finally, you'll need to provide proof of your identity and age. Now, if you're under age 60, you may also be paying tax on this withdrawal. If you're under your preservation age, you will generally be paying 22% tax. So if you qualify for the full $10,000 withdrawal, you'll only finish up with $7,800 paid to you and the other 2200 will be deducted as tax

KYLE

We're heading to a break now we'll have more after this.

PAM

You are able to get your super when you reach the minimum age set by Australian law, you can choose to receive your super as one large amount in one go or as a regular payment or a combination of both. In some cases, super funds might give you some of your superannuation money early for hardship or compassionate reasons. But there are laws about when super funds can do this. So, you need to be careful if you want to access your super funds early. If you might need to get some of your super money early. Talk to your super fund a financial counsellor or a financial capability worker. If you might need any further info call ASIC's indigenous helpline on 1300 365 957

KYLE

You're listening to Australian Super Made Easy series two. I'm Kyle Dowling and welcome back. Darryl, do all super funds offer financial hardship payments.

DARRYL

No they don't. The trustees of each super fund will make a decision as to whether their fund will allow financial hardship payments or not. If your fund doesn't allow financial hardship payments, you could change to a fund that does. The trustees of AustralianSuper do allow our members to access their super account in the case of severe financial hardship.

KYLE

What is early release on compassionate grounds and who can apply?

DARRYL

Early release on compassionate grounds is slightly different to financial hardship, in that there are different rules that need to be met before you can access your super account. This is assessed and approved by the Australian Taxation Office. You can apply to access your super benefits on compassionate grounds. If you need money for medical expenses for you or your dependents. partial payment of home loans to avoid foreclosure on the loan, modification of a home or vehicle for you or your dependents suffering a severe disability. The cost of palliative care for you or your dependents, funeral costs for dependents or medical transport for you or your dependents, you are not eligible to apply for a payment on compassionate grounds. If you're a temporary resident in Australia, depending on the reason for applying for compassionate release, you will need to provide specific evidence to support your request. Like I mentioned, compassionate release of your super account is assessed and approved by the Australian Taxation Office. If the Tax Office approves your request for compassionate release, you and your super fund will be notified and provided with an approval letter. You will then need to complete a payment application with your fund. The approved amount can then be released early by your super fund to cover your eligible expenses.

KYLE

Thanks very much, Darryl. That brings us to the end of today's episode. If you would like more information on anything we discussed today, call 1300 300 273 next episode we'll hear again from Darryl from AustralianSuper Darwin and Nathan Boyle, from ASIC, about how to choose the right Superfund for you and how you could be better off financially if you put all your super into one fund.