

Tuesday 24th March, 2020

CV02 Superannuation:

2.1 Temporary Early Access to Superannuation

The Government has legislated to provide for some people to access super early. Accessing your super in times of financial hardship should be a last resort. This is a step which should only be taken by workers if all other ways of getting income support are exhausted. If you are unclear of what measures you could take, you can talk to your union or visit the Services Australia website to find what payments you qualify to access. You may also have an insurance policy in your fund to protect against loss of income. Contact your fund to help you determine if you have income protection insurance you can access.

Your super balance is probably lower now than it has been over recent times, due to the significant drop in financial markets. Your super fund still holds the same assets as when your balance was higher, just now the value of those assets has temporarily fallen. In most cases if you cash out now, you're locking in your losses.

If you take out too much of your super you may lose your insurance. Most people have life insurance, total and permanent disability insurance and sometimes income protection insurance with the super fund. If you withdraw too much, you may fall below the insurable level. Each fund has different rules on this, and which kick in at different minimum account balance thresholds. Make sure you consult your fund about this prior to taking any action.

Taking super out of your account during your working life has a huge impact on your retirement. In the example below, two people in the same circumstances, one withdraws now rather than leaving their super invested. June, who took her super early, would be \$37,000 worse off in retirement.

Comparing the pair¹

June, 25, \$20,000 in super, earning \$60,000

If June withdraws it all this year, she will retire with: \$378,231

Janice, 25, \$20,000 in super, earning \$60,000

If Janice does not withdraw her super, she will retire with: \$415,348

¹ Industry Super Australia Retirement Income Projector: <https://www.industrysuper.com/retirement-info/retirement-calculators/retirement-balance-projection/>

If you are unsure about any of this, you should consider speaking to a financial advisor or a financial counsellor. You may be entitled to discounted or free financial advice with your super fund. Accessing super early is a big decision, that can have life-long consequences and should be viewed as a last resort.

Key Details

Workers are able to access \$10,000 before 1 July and \$10,000 after 1 July from their superannuation fund in two separate payments from mid-April through the ATO on www.my.gov.au.

Tax is not payable on the withdrawn amount and it will not affect other Government payments, like Jobseeker payments.

You are eligible if:

- You are unemployed
- You are receiving other Government benefits, job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or
- Since 1 January 2020:
 - You have been made redundant,
 - Your working hours have been reduced by 20 per cent or more, or
 - If you are a sole trader (ABN worker) and are experiencing a 20 per cent reduction in revenue.

To access early release of superannuation you must submit a declaration through www.my.gov.au that you meet the above criteria.

You are also required to contact your fund, or your fund will contact you, to establish *Proof of Identity*.

Your super fund will explain how to do this. You will also be required to tell your super fund your bank account details for them to deposit the funds in.

Disclaimer

This is not financial advice and is not personal financial advice. Financial advice is specific to you and your circumstances, which may differ from that described above. If you are unsure about anything you have read, please contact your fund to direct you to a good-quality financial adviser. The information in this note is current as of 23 Mar. 20.