



FirstTech



Flood, financial difficulty and access to super

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Clients affected by recent floods may seek advice from their adviser to gain early access to their super. This document covers how the relevant condition of release operates, eligibility, and any taxation consequences.

There are two relevant super early release conditions – severe financial hardship and compassionate grounds - each with different eligibility criteria and other rules. In addition, a person who has reached age 55 but not yet retired may be eligible to use their super benefits to start a transition to retirement pension and take a maximum income payment of 10% of the account balance in each financial year.

Severe financial hardship

There are two tests for severe financial hardship, assessed by the relevant fund trustee. **Test 1 – any age**

- Based on written evidence provided by a Commonwealth department or agency (eg Centrelink) the person has received Commonwealth income support payments¹ for a continuous period of at least 26 weeks and was in receipt of those payments at the time of application, and
- The person is unable to meet reasonable and immediate family living expenses.²

The amount that may be released from super under Test 1 in each 12 month period must be a single lump sum not less than \$1,000³ and not more than \$10,000.

Test 2 – from age 55 + 39 weeks

- Based on written evidence provided by a Commonwealth department or agency (eg Centrelink) the person has received Commonwealth income support payments for a cumulative period of at least 39 weeks after reaching preservation age, and
- The person is not gainfully employed either part-time or full-time on the date of the application.

There are no restrictions on the amount that may be released from super under Test 2.

Compassionate grounds

APRA has discretion to allow a person early access to their super to:

1. Pay for **medical treatment, medical transport or disability-related modifications** to the person's principal residence or vehicle, for the person or a dependant.
2. Enable the person to make a **payment on a loan to prevent foreclosure** of a mortgage on their principal residence or the exercise by a mortgagee of a power of **sale** over the person's principal residence.
3. Pay for expenses in relation to the person's or a dependant's **palliative care** in the case of impending death.
4. Pay for expenses associated with a **dependant's death, funeral or burial**
5. Meet **other expenses** that APRA determines are consistent with the above.

Although APRA must be satisfied that an application meets the criteria for early release of super, the final decision to pay out the benefit must be made by the trustee of the super fund in accordance with the fund's governing rules. A member must then complete an APRA application form which can be obtained at apra.gov.au or by phoning APRA on 1300 13 10 60.

The amount that may be released under compassionate grounds generally is a single lump sum no greater than an amount determined by APRA as reasonable given the ground and the person's financial capacity. In addition, for ground 2 above, the amount that may be released cannot exceed an amount equal to the sum of three months repayments and 12 months interest on the outstanding loan balance.

Taxation implications

While superannuation law determines whether a person may be able to have early access to their super, the payment made may be subject to taxation, as shown in Table 1. Any tax payable will reduce the net amount to the client.

Table 1 - Taxation of super lump sums Age	Taxable component – taxed element	Max tax rate	Taxable component – untaxed element	Max tax rate
60 and above	Whole component	0%	First \$1.155 million	15%
			Balance	45%
Preservation age to 59	First \$160,000	0%	First \$160,000	15%
	Balance	15%	\$160,000 to \$1.155 million	30%
			Balance	45%
Below preservation age	Whole component	20%	First \$1.155 million	30%
			Balance	45%

Note: For all non-zero tax rates, Medicare levy may also apply. Tax free component is always tax free.

1 Including Age Pension, Newstart Allowance, Partner's Allowance and Disability Support Pension, but excluding Youth Allowance and Austudy payments.

2 This is assessed by the fund trustee, taking into account APRA guidelines on what may be considered 'reasonable and immediate family living expenses'.

3 Unless the person's preserved and restricted non-preserved benefits are less than \$1,000.

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