



## Early release from super a relief, but comes with risks

The government is allowing the early release of superannuation and a temporary reduction in minimum pension drawdown rates to help individuals deal with the adverse economic effects of COVID-19.

Retirees watching their savings go down amid volatile markets will no doubt welcome the temporary reduction in minimum pension drawdown rates to help them better manage the financial outcomes of COVID-19.

However, perhaps some caution should be exercised for those considering accessing their super early. By early April 2020, more than 600,000 Australians had applied through their myGov account to get an early release of their superannuation. The government is anticipating up to 1.6 million requests will be made and estimates a total of about \$27 billion tax-free will be drawn down under this scheme.

While withdrawing super early will bring a relief and be the right option for some, there are risks. Individuals who fully withdraw their super or have their balances drop below \$6,000, could lose income protection and life and total permanent disability insurance cover.

Many economic commentators say taking money out before retirement should be done only as a last resort. As a result, individuals should weigh up the pros and cons and seek independent advice.

Fund members should also watch out for scammers offering to “help” them withdraw their superannuation. The Australian Competition and Consumer Commission confirmed that scammers are cold-calling people and attempting to charge a fee to facilitate early access, while also obtaining personal information that will help them fraudulently access the victim’s superannuation funds. Remember, only the ATO is coordinating the early release of super through myGov.

### TEMPORARY EARLY RELEASE OF SUPER

Eligible individuals affected by the coronavirus can access up to \$10,000 of their super in 2019-20 and a further \$10,000 in 2020-21. Individuals will not need to pay tax on amounts released and withdrawals will not affect Centrelink or Veterans’ Affairs payments.

From mid-April 2020, eligible individuals can apply online through myGov to access up to \$10,000 of their superannuation before 1 July 2020. They can also access up to a further \$10,000 from 1 July 2020 for approximately three months.

To be eligible, you must satisfy any one or more of the following:

- You are unemployed.
- You are eligible to receive a JobSeeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance.
- On or after 1 January 2020, either
  - you were made redundant
  - your working hours were reduced by 20% or more
  - if you are a sole trader, your business was suspended or there was a reduction in your turnover of 20% or more.

### TEMPORARILY REDUCING MINIMUM DRAWDOWN

The government is temporarily reducing super minimum drawdown requirements for account-based pensions and similar products by 50% for 2019-20 and 2020-21. The government is also reducing both the upper and lower social security deeming rates by a further 0.25 percentage points in addition to the 0.5 percentage point reduction to both rates announced on 12 March 2020. ■