When can superannuation benefits be accessed?

Over time, you may have accumulated superannuation via various means such as contributions your employer has made on your behalf, contributions you may have made yourself for which you may have claimed a tax deduction, or voluntary contributions made with after tax savings.

Before you are able to access your super, you generally need to meet what is known as a 'condition of release'. While some conditions of release restrict the form and amount you can take as a benefit, others don't.

Who does this suit?	It works like this
Those considering accessing their superannuation either due to retiring or temporary or permanent incapacity, severe financial hardship, or under compassionate grounds.	– The most common way to access your super involves advising the trustee of your super fund that you have met a condition of release, such as reaching your preservation age and then retiring. – Where you have suffered a temporary or permanent incapacity, you often also have to provide the trustee with medical evidence to support your application. – Under severe financial hardship, the amount you can withdraw is limited and you need to have been in receipt of government income support for a set period of time determined by your age. – Applications under compassionate grounds must be made through the Australian Taxation Office (ATO) in the first instance, with the final decision to release any benefits left with the trustee of your super fund.

What are the most common conditions of release?

1. Reaching your preservation age and retiring.
2. Ceasing an employment arrangement on or after reaching age of 60.
3. Reaching age 65.

Under certain circumstances, part of your super benefit may be released before you have reached your preservation age (see table below). These conditions can include:

– Temporary or permanent incapacity,

– Severe financial hardship, or

– Under compassionate grounds.

Your preservation age is based on when you were born:

Date of birth	Preservation age (years)
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

Example 1 – Transition to Retirement

Susan (age 58)

Works full time

Earning a salary of $50,000 p.a.

Superannuation balance of $140,000

Susan would like to begin accessing her super to reduce her home mortgage quicker and to supplement her income as she is considering reducing her hours of work over the next few years.

As Susan has reached her preservation age she can access her super as a transition to retirement income stream while she continues to work. For the 2020/21 financial year, she may draw between 2% and 10% of her super account balance ($2,800 – $14,000) per year in pension payments.

NB: There are many variations to a transition to retirement strategy which may apply depending on an individual's personal circumstances.

Example 2 – Ceasing employment after age 60

Craig (age 62)	Made redundant from his employer 2 months ago	Superannuation balance of $300,000

Craig is currently looking for another employment position, however he is also looking to withdraw some of his superannuation to help fund his living expenses for the next few months.

As Craig has ceased an employment arrangement after reaching age 60, he meets a full condition of release on his preserved superannuation benefits at this time, and is not restricted by the transition retirement rules (as was the case for Susan). As a result, Craig may withdraw any amount he chooses from his superannuation.

Example 3 – Financial Hardship

Andrew (age 34)	Unable to meet reasonable and immediate living expenses after unexpected events.	Superannuation balance of $105,000

Andrew has been receiving income support payments from Centrelink continuously for the past 26 weeks and continues to receive this support at the time he applies for a financial hardship claim via the trustee of his super fund.

The trustee must consider Andrew's claim and may pay him a single lump sum of between $1,000 and $10,000 once in any 12 month period.

Take Note

It's important to remember that everyone's situation is different and strategies that work for some, may not work for others.

When accessing your super, you should also consider;

- The tax you might pay on any withdrawals,
- The impact any withdrawals might have on your retirement savings,
- Your overall financial position

Need help

For more information on accessing your super, please speak to me.