Sample Toolkit Page

This fact sheet is for information only. You should get professional advice about your personal situation from a financial counsellor or a lawyer.

Main ideas

- **Superannuation (super) is intended to fund your retirement.**
- **Super is a protected asset. Creditors cannot get at it while it stays in the fund.**
- **Normally you cannot get your super until you retire, or are near retirement.**
- **You may be able to get your super early if you are in severe financial hardship or on compassionate grounds.**
- **Talk with a free financial counsellor to understand the impacts of getting your super early.**

In this fact sheet

Your super is for retirement

You can normally access you super when:

- you turn 65, even if you are still working
- you reach preservation age and continue to work, under the transition to retirement rules
- you reach preservation age and stop working. Your preservation age depends on when you were born, see ATO's table.

Accessing your super early

You may be able to get your super before you reach your preservation age if you meet specific conditions. There are strict rules around early access to super.

Not all superannuation funds allow early access to your super. Switching funds may be a way to get early access, but carefully consider other impacts (like losing your insurance cover, especially for pre-existing conditions or even undiagnosed symptoms) before switching to another fund.

Just because you can access your super, does not mean you should access it. Think through the consequences and the pros and the cons. Consider talking to a free financial counsellor. To find a financial counsellor anywhere in Australia, visit the National Debt Helpline's Find a Financial Counsellor Tool or call the National Debt Helpline on 1800 007 007.

Consider whether there may be other services that can help too. The Ask Izzy website has lists of various community services or support programs.

The disadvantages of early access to super

Getting some of your super early will give you access to money that may solve a financial problem.

But consider these disadvantages:

- Getting money from you super may result in you:
  - paying more tax
  - paying more child support
  - getting lower Centrelink payments
  - receiving less child support.
- You will lose an asset that is protected in bankruptcy and protected from creditors. When you take money out of the fund you lose that protection.
- The money you take out may be taxed by the Australian Tax Office (ATO). If you wait and take it after reaching preservation age, super benefits may be tax free (talk to an accountant for advice).
- If you take out all your super, you may lose your insurance benefits (for example, income protection, death or total and permanent disability). You may be losing

valuable benefits. You may not be able to get replacement cover for pre-existing conditions (which sometimes includes symptoms of conditions you may not have seen a doctor or been diagnosed with yet) – or it may be at higher cost.
- Taking out your super may not solve your financial problems and you will have less in retirement.
- It may take too long – it can take months to get your super released. If you are relying on early release of super to solve your financial problem, your situation may get worse while you wait.

Eligibility to access super early

To get your super released early, you must meet at least one of:

- Have less than $200 in super (apply to your super fund).
- Be a temporary resident leaving Australia permanently (apply to your super fund).
- Have a terminal medical condition (apply to your super fund).
- Be temporarily or permanently incapacitated (apply to your super fund). Temporary incapacity releases are usually are linked to a claim under insurance held in your super.
- Be in severe financial hardship (apply to your super fund) (see below).
- Meet a compassionate ground (apply to the ATO) (see below).

You can also apply for early release of super to help your partner, child or other dependant. It must be for compassionate grounds.
Early access to superannuation for people affected by the COVID-19 pandemic is no longer available.

This fact sheet focuses on severe financial hardship and compassionate ground releases (including preventing your home from being sold).

Accessing your super early due to severe financial hardship

If the super trustee is not satisfied that your super will help you in your financial hardship, then they may decide not to release the funds.

To access your super due to severe financial hardship you must:

- show you are unable to pay reasonable and immediate family living costs, and
- have been receiving certain Centrelink benefits continuously for the past 26 weeks.

The minimum amount is $1,000 (unless your super balance is less than $1,000) and the maximum is $10,000. It will be paid as a lump sum. You can only make one withdrawal from your super because of severe financial hardship in any 12 month period.

There is no restriction on the amount you can withdraw after you have reached your preservation age plus 39 weeks, as long as you are not employed when you apply.

Applying for early release due to severe financial hardship

Contact your super fund and ask them how to apply. You will usually need to:

- explain the cause of your severe financial hardship
- explain how you will spend the money if it is released. You may need to provide copies of specific bills that need to be paid.
- provide evidence of yours and your family's income and expenditure
- show you are in arrears on your loan payments (not just that you have debts)
- provide a letter from DHS or Centrelink showing you have been receiving eligible income support payments. This is called a Q230 Financial Hardship letter. You can get this by calling your usual payment line number. Some super funds can check this online directly with Centrelink eServices – if you agree to them doing this.

Accessing your super on a specified compassionate ground

The ATO administers early release of super on compassionate grounds.

It can take the ATO up to 14 days to either accept or deny your online application (or 28 days for paper applications). It can take further time for your fund to process the application after it is approved by the ATO.

To be eligible to access your super on compassionate grounds you must:

- show you need money to pay for at least one of:
    - Medical treatment or medical transport for you or a dependant.
    - To modify your home or motor vehicle to accommodate for the special needs of you or a dependant arising from a severe disability.
    - For expenses associated with the care for a terminal medical condition for you or a dependant.
    - For expenses associated with a death, funeral or burial for a dependant.
    - A home loan to prevent your home being sold, or local council rates (see below). and
- show you cannot pay the expense without accessing superannuation.

To apply to access your super on compassionate grounds:

1. Contact your super fund. Check they will release your super on compassionate grounds if approved by the ATO. (If not, consider transferring to a fund that will.)
2. Collect documents:
   a. quotes and unpaid invoices for the amounts you need
   b. documents to prove you need the money – these are different for each compassionate ground (see the ATO website for details).
3. Apply to the ATO using the online form. (You need a MyGov account. If you don't have one, you can create a MyGov account.) OR you can ring the ATO on 13 10 20 to ask for a paper form. Upload your supporting documents with your application.
4. If the ATO approves your application you will be notified in your MyGov Inbox (could take up to 14 days, or 28 days for paper forms). The ATO will also send the approval to your super fund.
5. If the ATO approves your application, give the super fund a copy of the approval letter and arrange for your money to be released (this may take some time).

Accessing your super to prevent your home being sold

Your house may be sold if:

- you have not kept up your mortgage payments; the lender may seek to sell your house to pay the money you owe
- you have not paid your rates; the local council may seek to sell your house to pay for the outstanding rates.

In either case, you should only access your super as a last resort, after you have considered all other options. First try to negotiate with your lender or council for a repayment arrangement. Your bank may agree to capitalise the arrears, allowing you to pay over a longer time. See a free financial counsellor.

Get legal advice immediately if you have received any court papers, threats of repossession or default notices.

Our Financial Hardship fact sheet and Mortgage Stress fact sheet may also be helpful.

Eligibility to access super to prevent your home being sold

You can only access super to pay mortgage or rate arrears if:

- The property under threat is your principal place of residence (not your holiday home or investment property). If you are not living in the property, you should get legal advice.

- You are the debtor (or one of the debtors) and responsible for making the mortgage repayments or paying council rates. Super will not be released to pay a mortgage in another person's name, unless it is your principal place of residence.
- You have no other way to repay the arrears, such as savings or selling another asset. If you do, speak to a financial counsellor or get legal advice.

Things to think about before accessing your super for your mortgage

Before you access your super to pay mortgage arrears, be certain you can afford your regular repayments after your super is released. If you can't, you will end up needing to sell your house in the future, and you will have wasted your super.

If you intend to sell your house, do not access your super. Part of your super may go in tax, you will have less money in retirement, and you won't have saved your house. If your house is already on the market, include a statutory declaration with your application stating that you will take the house off the market when your super is released.

Maximum amount of super that can be released for mortgage hardship

The fund will only release the amount required by the lender or the local council. The maximum that can be released in a 12 month period is 3 months repayments plus 12 months interest on the outstanding balance of the loan.

If the amount you need is more than you have in super, you'll need to either:

- reduce the arrears in some other way
- provide a letter from the lender with your application confirming they will accept the amount available in super to stop the sale of the home
- consider other options, for example, selling your home or another asset.

Applying for early release of super to pay mortgage or council arrears

1. Negotiate a hardship arrangement while you are applying for your super. See a financial counsellor or get legal advice.
2. Contact your super fund and check that they will release your super on compassionate grounds if approved by the ATO.
3. Get a letter from your lender, council or other creditor on its letterhead (if you have more than one mortgage, get a letter from each lender threatening to sell) that:
   a. is dated and no more than 30 days old from the date you submit it
   b. states:
   – there's an overdue amount
   – the lender/council will sell your home if you don't pay
   – the address of the home

  - the total amount for three months of loan repayments
  - the total interest charged for the next 12 months
  - the lender's name
  - the bank account number of the loan.
4. Submit your application to the ATO with supporting documents. Use the myGov website.
5. Keep making your repayments or the amount agreed under your hardship arrangement. The lender may repossess and sell your home if the amount in your super is less than the arrears owing, or if your application is declined for some other reason.
6. Keep your lender up to date about the progress of your application. Do not make promises that the super will be released by a certain date. You are not in control of how fast the ATO will process your application, or how long your super fund will take after that. Ask the lender not to take legal action while you are waiting for the outcome of your application. If you receive a statement of claim (or summons) starting legal proceedings, complain to the Australian Financial Complaints Authority and ask for hardship. Read our Financial Hardship fact sheet and visit our Financial Complaints to AFCA fact sheet.
7. If the ATO approves the release, send the original ATO letter to your super fund. You will also need to comply with your super fund's requirements and may need to complete a separate form and provide identity information.
8. If the super fund pays the money to you directly, consider carefully how to use it. If you can save your home and perhaps make a few payments in advance, pay the money to the lender.
   If your lender says the money is not enough and they intend to repossess and sell the property, consider putting some money aside for rent and bond on an alternative place to live. If you are not sure, speak to a financial counsellor or get legal advice.

Need more help?

For a list of other organisations and resources, visit our Useful Links page.

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