



fact sheet

phone: 1800 007 007
www.debtselphelp.org.au

Published 2013.

This document is for
general information and is
not legal advice.

Superannuation

Overview

You normally can't access your superannuation until you reach the minimum age set by law, (preservation age), and you permanently retire from the workforce. However, under certain circumstances, including if you have lost your job, you can apply to have some of the money in your superannuation fund released before you retire to help you manage your debts.

You may be required to pay tax on any superannuation released early. There have been some scams promoting early access to superannuation. If you are approached by anyone offering to help you get early access to your superannuation you should check the Australian and Securities Investment Commission website for more information about the sorts of scams operating.

Accessing your superannuation early

Accessing your superannuation early to pay bills is a short-term trade off for temporary financial protection. You should only consider using superannuation after you've investigated all other debt management options and preferably talked to a financial counsellor.

Accessing superannuation early can cause a lot of harm to your long-term financial position and may not be worth it. For example, you could access your superannuation early to help pay your mortgage, but still lose your home if you can't keep up the payments in the long term. You are also using money that would otherwise be protected from your creditors to pay your debts. The other impact is on the superannuation funds available to you in retirement which will be reduced.

Early release of superannuation is always at the discretion of your superannuation fund. You need to make initial enquiries with your fund if you are considering this option, and then advise your creditor or make an application to the Department of Human Services if you apply on compassionate grounds.

Grounds for the early release of superannuation

A large number of superannuation funds allow access to a lump sum from accumulated superannuation accounts once every 12 months if your application is based on one of the following grounds:

- Specified compassionate grounds (to prevent sale of your house by your mortgage holder, or to pay medical, disability or funeral expenses); or
- Grounds of severe financial hardship (for "reasonable immediate family living expenses" including loan repayments, rent arrears, outstanding bills, car repairs and medical expenses).



fact sheet

phone: 1800 007 007
www.debtselphelp.org.au

Published 2013.

This document is for
general information and is
not legal advice.

Applying on compassionate grounds to pay your mortgage

Applications for specified compassionate grounds are lodged with the Department of Human Services (DHS) using their application form. You can apply for early release of your superannuation funds to pay your mortgage on compassionate grounds if:

- You are in arrears and having difficulty paying, and
- Your lender wants to sell your home because you are in arrears, and
- Your name is on the mortgage documents (either individually or jointly), and
- The mortgage is for a property that is your normal place of residence (that is, not an investment property).

The amount you can access early on compassionate grounds depends on the balance of your account and the specific bills or debts you wish to pay. For mortgages, DHS can authorise the release of a lump sum equivalent to three months mortgage payments plus 12 months interest on the outstanding mortgage balance.

How to apply on specified compassionate grounds

Application forms are available on the DHS website. To apply you need to:

- Complete all the appropriate questions on the relevant DHS Early Release of Superannuation Benefits application form; and
- Collect the relevant supporting documentation to prove the compassionate grounds upon which you are making your claim; and
- Submit your complete application to DHS.

You should advise your mortgage lender (or other creditor if your request is for medical or funeral expenses) you have applied for release of superannuation funds and request that no debt enforcement action is commenced against you while your application is being processed.

DHS will assess your application within 10 days of receiving all required information and documentation. They will advise you in writing of their decision on the release of your funds.

Even if you obtain approval from DHS, your superannuation fund is not obliged to release your funds early if their policy disallows early access.

How to apply on grounds of financial hardship

You should apply directly to your superannuation fund for early release of funds on the grounds of severe financial hardship. Note that applications on financial hardship grounds are **made directly to your superannuation fund** and not the Department of Human Services.



fact sheet

phone: 1800 007 007

www.debtselphelp.org.au

Published 2013.

This document is for general information and is not legal advice.

To be eligible you need to demonstrate to your superannuation fund:

- You have been receiving certain Centrelink allowances (including Newstart Allowance or Disability Support Pension; but not Austudy) for at least 26 weeks continuously (39 weeks if you are over 55); and
- You have requested and received from Centrelink within the past 21 days a standard letter that confirms you receive a required Centrelink allowance; and
- You have insufficient money to meet your 'reasonable and immediate' living expenses.

To apply you should write to your superannuation fund, explain your circumstances and demonstrate that you meet the eligibility criteria.

If your superannuation fund agrees to release your superannuation early, you may receive a lump sum of up to \$10,000 (less tax) for a one-off financial problem, such as paying outstanding bills. The funds cannot be used to pay day-to-day expenses, or cover debts that are not currently due (such as the full balance of a credit card or personal loan).

Advantages and disadvantages of early release

Obtaining access to your superannuation funds early means:

- You use your own funds to manage your debt rather than taking out additional loans;
- Your lenders and creditors will stop calling you to demand payment and threaten repossession of your home while the payment covers arrears;
- You will be under less stress and can work on reducing your other debts; and
- If you see your present need as greater than your future anticipated need in retirement, you'll feel in greater control of your debts.

Early release of superannuation funds does have some serious consequences including:

- Funds released prior to retirement are taxed at a higher rate;
- Less superannuation will be available to you in retirement or if you face another period of financial hardship;
- Funds in superannuation accounts are protected from creditors, however, when released early they lose this protection;
- There have been some illegal schemes to access superannuation where promoters have exploited people in financial hardship by charging excessive fees; and
- Superannuation funds may charge a service fee and other costs for making the funds available early;
- Unless early release pays off all your debts, you may pay your money to your creditors and still lose your home.