

Government Announcements on Superannuation

Pension Drawdown Relief for Retirees

It is currently a requirement that minimum payments be made from a superannuation account based pension at least annually. Minimum payments are determined by age and the value of the account balance as at 1 July each year. The minimum annual payment rule is designed so that retirees draw down on their superannuation capital over their retirement. This rule recognises that superannuation is designed as a retirement savings vehicle with substantial tax concessions.

Treasurer Wayne Swan and Senator Nick Sherry, Minister for Superannuation and Corporate Law, have announced relief from minimum account-based pension drawdown requirements.

This announcement responds to concerns that meeting the minimum draw down amount in the 2008/09 financial year will mean having to sell investment assets and realise losses in a depressed market.

Accordingly, the Government will suspend the minimum drawdown requirement for account based pensions for the second half of the financial year, effectively resulting in a 50% minimum drawdown for the 2008/09 financial year.

The temporary relief also addresses the concern that the minimum draw down requirement is based on asset values as at 30 June 2008, when equity values were higher.

For people who have already taken half of the current minimum payment for 2008/09, the annual nature of the minimum payment rules means that a further payment will not be required until the 2009/10 year.

The temporary suspension of the minimum payment requirement will apply to:

- ▶ Account based annuities and pensions (payable since 1 July 2007);

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- ▶ allocated annuities and pensions (pre-dating the Better Super changes); and
- ▶ market linked (term allocated) annuities and pensions.

Super Access for Disaster Victims Insurance

Super fund members who have been affected by natural disasters may, depending on their circumstances, be able to claim either Death or Total and Permanent Disablement (TPD) insurance attached to their superannuation. Claims should be made directly to your super fund.

Early access

Usually, superannuation savings cannot be accessed before an individual is at least 55 years old. However, under limited, prescribed circumstances, the law allows early access. This includes applications under "severe financial hardship" provisions. Such applications must be made directly to your super fund and strict conditions for this early release must be met.

APRA separately administers applications for early release of superannuation on prescribed "compassionate grounds". These grounds include mortgage assistance in the case of threat of foreclosure, certain medical expenses, modifications to a home or vehicle in the case of severe disability and expenses associated with a dependent's death or funeral.

APRA has been asked to prioritise any access requests arising from an area where the Natural Disaster Relief and Recovery arrangements apply. This will include Victorian bushfire-related and Queensland flood-related applications for early access to superannuation on specified "compassionate grounds".

It is important to note that all early access cases are assessed on objective criteria subject to the law and trust deed rules.