

Fact sheet – Withdrawing from super (accumulation phase)

The purpose of superannuation is to provide money for retirement. So, it is no surprise that accessing these funds under superannuation law for other purposes is not going to be easy.

Withdrawing benefits depends on the preservation status. Unrestricted non preserved funds are accessible. However, funds which are 'preserved' or 'restricted non preserved' cannot be accessed unless certain conditions (commonly known as conditions of release) are met. The conditions of release are as follows:

- permanent retirement (after reaching preservation age*)
- leaving your employer after age 60
- reaching age 65
- permanent incapacity
- temporary incapacity (non commutable pension which is payable for period of incapacity)
- death
- severe financial hardship (limited access)
- specified grounds (approved by APRA)
- non resident permanently departing Australia
- termination of employment and balance is less than \$200
- termination of employment with an employer who had contributed to fund (restricted non-preserved)
- transition to retirement (non-commutable income stream)
- release authority issued by Tax Office

Some of the more common conditions and rules are discussed below.

Retirement

Generally, an individual may access benefits upon retirement provided they have reached their preservation age.

* Your preservation age is based on the individual's date of birth;

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

For superannuation purposes, 'retirement' depends on an individual's age and future employment intentions.

Where an individual has reached a "preservation age" that is less than 60, their 'retirement' is when:

- a gainfully employed arrangement ended. Note, this may have occurred at any time, including before preservation age; and
- the super fund trustee is reasonably satisfied that the individual intends never again to return to gainful employment (which means employed or self employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment) for 10 hours or more per week.

Where an individual has reached age 60, their 'retirement' is when:

- a gainfully employed arrangement ended on or after reaching age 60, regardless of future work intentions.

Permanent Incapacity

To access preserved benefits upon permanent incapacity of an individual:

- super fund trustee must be satisfied that the individual is unlikely to engage in gainful employment for which they are reasonably qualified by education, training or experience.

Termination of employment with a contributing employer

If employment with an employer who contributed to the fund is terminated, any 'restricted non-preserved benefits' become unrestricted non-preserved and are then accessible.

Transition to retirement

From preservation age, individuals have the ability to access their superannuation without retiring or ceasing an employment arrangement. However, benefits can only be accessed as a non-commutable income stream. The intention is to allow individuals who are scaling back their working hours (and their salary) to access their superannuation to help fund the gap in their income.

Release authority payments

This allows withdrawal from the super fund to pay tax penalties that apply to excess contributions. If a penalty relates to a non-concessional contribution, an amount equal to the tax must be withdrawn from fund. If it relates to a concessional contribution, the individual can choose whether to withdraw tax from fund or pay it from non-super money.

Preservation status upon meeting condition of release

Once a condition of release is met, the preservation status of a benefit changes to non-preserved. An individual then has a choice of

1. leaving their money in super
2. rolling over to an income stream
3. withdrawing as a lump sum

Tax on withdrawals

The government has made withdrawals from super simpler. From 1 July 2007, withdrawals will consist of tax-free and/or taxable component.

Tax-free component – includes the value of following components at 30 June 07:	Taxable component – includes:
<ul style="list-style-type: none"> • concessional • post June 1994 invalidity • undeducted contributions • CGT exempt • pre- July 1983 <p>It also includes:</p> <ul style="list-style-type: none"> • co-contributions • spouse contributions • overseas transfers (excluding any growth portion taxable in the fund) • tax-free portion of directed termination payments • personal after-tax contributions (including made under CGT cap) 	<ul style="list-style-type: none"> • any Post June 1983 component (at 30 June 07) • personal deductible contributions • salary sacrifice contributions • super guarantee and shortfall • earnings in super fund (accumulation) • taxable portion of directed termination payments • component of an overseas transfer included in taxable income of the fund

From 1 July 2007, the following rates of tax apply for cash withdrawals.

Superannuation lump sum components	Tax rate
<ul style="list-style-type: none"> • Tax-free (all ages) 	Nil
Under preservation age	
<ul style="list-style-type: none"> • Taxable (taxed element) 	20% *
<ul style="list-style-type: none"> • Taxable (untaxed element) 	30% * on first \$1 million [^] 45% * on amount over \$1 million [^]
Between preservation age and 60	
<ul style="list-style-type: none"> • Taxable (taxed element) 	Nil on first \$140,000 [^] 15% * on amount over \$140,000 [^]
<ul style="list-style-type: none"> • Taxable (untaxed element) 	15% * on first \$140,000 [^] 30% * from \$140,000 - \$1 million [^] 45% * on amount over \$1 million [^]
Over age 60	
<ul style="list-style-type: none"> • Taxable (taxed element) 	Nil
<ul style="list-style-type: none"> • Taxable (untaxed element) 	15% * on first \$1 million [^] 45% * on amount over \$1 million [^]

* Plus Medicare levy ^ Limit for 2007/2008 financial year. Note: these tax rates do not apply to death benefit payments

- All lump sum withdrawals are split between tax-free and taxable components. It is not possible to select a withdrawal to consist of a tax-free component only.
- The proportion of the components will change each time a withdrawal is made and all earnings in the accumulation phase are added to the taxable component.
- At the point of withdrawal, the total proportion of each component is calculated. The amount withdrawn is split in the same proportion.

Contact details:

Telephone: 1300 799 972 Fax 02 8275 3499

Email: technicalservices@asteron.com.au

Asteron Portfolio Services Limited ABN 61 063 427 958 AFS Licence No. 237905

Important note

The information contained in this publication is of a general nature only and is intended for use by financial advisers or other licensed professionals only. It must not be handed to clients for their keeping nor can any copies of sections of this bulletin be given to clients. The information has been compiled based on regulatory policy at the time of writing. We recommend that your client refer to their professional tax or legal adviser prior to implementing any recommendations you may make based on the information contained in this publication.