

COVID-19 – THE GOVERNMENT'S ECONOMIC STIMULUS PACKAGES EXPLAINED



In March 2020, the Federal Government has announced two economic stimulus packages to cushion the economic impact of the Coronavirus. A total of \$189 billion is being injected into the economy to keep Australians in work and businesses in business. The financial support has come in the forms of economic stimulus packages plus easier access to finance.

There are some important superannuation measures that you should be aware of:

TEMPORARILY REDUCE SUPERANNUATION MINIMUM DRAWDOWN RATES:

The Government is temporarily reducing superannuation minimum drawdown requirements for account based pensions and similar products by 50 per cent for 2019-20 and 2020-21. This measure will benefit retirees by providing them with more flexibility as to how they manage their superannuation assets.

| AGE | DEFAULT MINIMUM DRAWDOWN RATES (%) | REDUCED RATES BY 50% FOR THE 2019-20 AND 2020-21 INCOME YEARS (%) |
|------------|------------------------------------|---|
| Under 65 | 4 | 2 |
| 65-74 | 5 | 2.5 |
| 75-79 | 6 | 3 |
| 80-84 | 7 | 3.5 |
| 85-89 | 9 | 4.5 |
| 90-94 | 11 | 5.5 |
| 95 or more | 14 | 7 |

Individuals who have already taken their minimum pension amount for the 2019/20 financial year will not be able to put that money back into their superannuation account under these changes.



This fact sheet contains general advice only and does not take into account particular objectives, financial circumstances and needs. The information provided in this fact sheet is not a substitute for legal, tax and financial product advice. Before making any decision based on this information, you should always seek professional advice from a solicitor, accountant or financial advisor for your particular circumstances.



COVID-19 – THE GOVERNMENT'S ECONOMIC STIMULUS PACKAGES EXPLAINED continued...page 2

If you are eligible for this new ground of early release, you can apply directly to the ATO through the myGov website: <https://my.gov.au/>.

REDUCING SOCIAL SECURITY DEEMING RATES:

As of 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent. The reductions reflect the low interest rate environment and its impact on the income from savings.

The change will benefit around 900,000 income support recipients, including around 565,000 people on the Age Pension who will, on average, receive around \$105 more from the Age Pension in the first full year that the reduced rates apply.

The changes will be effective from 1 May 2020.

EXAMPLE:

For example, Leslie and Brian are an age pensioner couple. They have \$550,000 worth of financial assets. They hold \$300,000 in a superannuation account with a conservative investment strategy which returned around 5 per cent last year. They have invested \$130,000 in a term deposit with an annual return of 1.5 per cent and hold the remainder in a cash transaction account earning a negligible rate of interest.

Under the former deeming rates, Leslie and Brian's Age Pension would have been reduced by \$65 each per fortnight. Under the new deeming rates, Leslie and Brian's Age Pension will only be reduced by around \$32 each per fortnight.

EARLY RELEASE OF SUPERANNUATION:

While superannuation helps people save for retirement, the Government recognises that for those significantly financially affected by the Coronavirus, accessing some of their superannuation today may outweigh the benefits of maintaining those savings until retirement.

Eligible individuals will be able to apply online through myGov to access up to \$10,000 of their superannuation before 1 July 2020. They will also be able to access up to a further \$10,000 from 1 July 2020 for approximately three months (exact timing will depend on the passage of the relevant legislation).

The exact eligibility requirements will be formed in the coming days but broadly to apply for early release you must satisfy any one or more of the following requirements:

- you are unemployed; or
- you are eligible to receive a job seeker
- payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or
- on or after 1 January 2020:
 - you were made redundant; or
 - your working hours were reduced by 20 per cent or more; or



- if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20 per cent or more.

People accessing their superannuation will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

Separate arrangements will apply if you are a member of an SMSF. You will be able to apply for early release of your superannuation from mid-April 2020.

HOW CAN WE HELP?

If you are concerned about how COVID-19 is affecting your business, please feel free to give me a call to arrange a time to meet so that we can discuss your particular requirements in more detail. Ph 02 9135 8450

