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Superannuation Update

Release of Superannuation benefits

Super funds are concessionally taxed so that members will be encouraged to save for their retirement. To ensure that you are using your fund to save for your retirement, your SMSF is only able to pay amounts to or for you if you meet a condition of release.

The conditions of release are also subject to the rules of your SMSF (as set out in the trust deed). It's possible that a benefit may be payable under the super laws, but can't be paid under the rules of your SMSF.

The most common conditions of release for paying out benefits are:

Retirement: Actual retirement depends on a person's age and, for those less than 60 years of age, their future employment intentions. A retired member can't access their preserved benefits before they reach their preservation age.

Transition to retirement (attaining preservation age): Members who are under the age of 65 and have reached preservation age, but remain gainfully employed on a full-time or part-time basis, may access their benefits as a non-commutable income stream.

Attaining age 65: A member who reaches age 65 may cash their benefits at any time. There are no cashing restrictions. (It's not compulsory to cash out a member's benefits merely because they've reached a certain age.)

There are a number of other circumstances in which benefits can be released, such as incapacity, severe financial hardship, temporary residents leaving Australia, terminal illness or injury, and terminating gainful employment. Some of these permit early access to benefits before reaching preservation age. There are specific rules for each of these and some have restrictions on the way the benefits can be cashed.

Beware of promoters who claim they can help you access your retirement benefits, such as for buying a house, car or a holiday or for solving your financial problems. These schemes are illegal and there are severe penalties if you access your super before you're legally entitled to.

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