

23 March 2020

## Government’s Economic Response to the Coronavirus

Due to significant economic impacts caused by the Coronavirus, on 22 March 2020 the Government has announced another set of measures, in addition to its initial Economic Response, to provide timely support to the households, businesses and the broader community. Both stimulus packages total \$189 billion across the forward estimates, representing 9.7 per cent of annual GDP, with the Government looking to legislate the proposed measures as soon as possible.

Some of these measures are temporary reduction of superannuation minimum drawdown rates, changes to social security deeming rates and temporary early release of superannuation. Below is an overview of the afore-mentioned supporting actions:

### Reducing superannuation minimum drawdowns

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20- and 2020-21 income years to help retirees reduce the need of selling investment assets to fund minimum legislated drawdowns.

Age	Default minimum drawdown rates	Reduced rates by 50% for 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 and over	14%	7%

If an individual has already drawn the reduced minimum from their super fund in the current income year, they will not be required to take any additional payments. However, individuals may need to contact their fund to confirm they wish to reduce their pension payments accordingly, to ensure they do not receive extra payments.

The Government has also confirmed that the members who already received the reduced minimum, will not be able to get any pension payments they have received over the reduced minimum back into superannuation, unless they are otherwise eligible to contribute.

## Reducing social security deeming rates

Effective from 1 May 2020, the upper deeming rate will be 2.25% and the lower deeming rate will be 0.25%. There will be no changes to the current threshold amounts.

The new deeming provisions are summarised in the table below:

Deeming rate from 1 May 2020	Single	Couple with at least one partner receiving a pension	Couple with no partner a receiving pension
0.25%	Up to \$51,800	Up to \$86,200	Up to \$43,100
2.25%	Excess	Excess	Excess

As the lowered deeming rates will reduce the amount of income generated from financial assets for the income test purposes, this will result in increased amounts of government support payments and improved eligibility for Commonwealth Seniors Health Card for some individuals.

## Temporary early access to superannuation

From mid-April, individuals who have been significantly affected financially by the Coronavirus will be able 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).

However, individuals will only be permitted to make one application each income year, i.e. where an individual accessed \$5,000 of their superannuation savings in May 2020, they will not be allowed to make an additional application to release an extra \$5,000 before the end of the financial year.

To be eligible for early release of superannuation, an individual has to meet the following requirements:

- being unemployed; or
- being 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: having been made redundant; or having working hours reduced by 20 per cent or more; or if a sole trader — their business was suspended or there was a reduction in its 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.

The eligible individuals will be able to apply directly to the ATO through the myGov website [www.my.gov.au](http://www.my.gov.au) and will need to certify that they meet the above eligibility criteria. After the ATO has processed the application, they will issue the applicant with a determination and will also provide a copy of this determination to the applicant's superannuation fund, which will advise them to release the superannuation payment. To receive this payment from the super fund, the applicant does not

need to apply to their super fund directly but should contact their fund to ensure it has correct details for the applicant, including current bank account details and proof of identity.

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