

2020 GOVERNMENT ECONOMIC RESPONSE TO COVID-19

AS AT 25 MARCH 2020

TEMPORARY REDUCTION OF MINIMUM PENSION DRAWDOWN

What is the measure?

Minimum drawdown requirements from account-based pensions and similar products will be reduced by 50 per cent for 2019-20 and 2020-21. As the rates are age-based, please refer to the table below.

Age	Default minimum drawdown rates	Reduced rates by 50 per cent for the 2019-20 and 2020-21 income years
Under 65	4%	2.0%
65-74	5%	2.5%
75-79	6%	3.0%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95 or more	14%	7.0%

Source: <http://www.treasury.gov.au/coronavirus>

Considerations

This measure is designed to help preserve super savings by slowing the rate at which retirees must withdraw funds. If household cash flow allows, retirees can stop or reduce any future dated payments from your account-based pensions.

To take up this option, please contact your Account Manager who can help you implement any changes required.

PAYMENTS TO SOCIAL SECURITY RECIPIENTS

What is the measure?

The Federal Government is providing two separate \$750 payments to eligible concession card holders and social security recipients. The first payment will be paid from 31 March 2020 to individuals who are eligible payment recipients or concession card holders at any time from 12 March to 13 April 2020 and residing in Australia.

The second payment of \$750 will be paid from 13 July 2020 to individuals who are eligible payment recipients or concession card holders as at 10 July 2020 and residing in Australia.

The list of qualifying payments and concession cards is extensive and includes those receiving Age Pension, Family Tax Benefits, Youth Allowance, Veteran benefits or Commonwealth Seniors Health Card¹. Individuals eligible to receive the new \$550 per fortnight Coronavirus supplement (commences from 27 April 2020) will not be eligible for the second payment.

Considerations

If you are a member of a couple and both in receipt of social security benefits, you will each receive the payment of \$750. This means, an eligible couple could receive a total of \$3,000 under this measure.

This is a tax-free payment that will be automatically paid to eligible recipients.

Note:

¹ Full list of eligible payments and concession card holders can be found: https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Payments_to_support_households.pdf

SUPPORT FOR AGE PENSIONERS AND COMMONWEALTH SENIORS HEALTH CARD RECIPIENTS

What is the measure?

Effective from 1 May 2020, there will be a reduction in the deemed interest rate that is applied to Age Pensioner's savings accounts and some financial assets. The upper deeming rate will be reduced to 2.25 per cent and the lower deeming rate to 0.25 per cent. This recognises the impact of further cuts in interest rates.

Considerations

The lower deeming rates could mean less income is counted under the Age Pension income test.

If your current Age Pension entitlement is determined by the income test, this may result in a higher fortnightly Age Pension benefit.

If your income levels have previously just exceeded the Age Pension income test, this change may allow you to qualify for a small Age Pension benefit (pending asset levels).

Individuals and couples who previously just exceeded the income threshold for the Commonwealth Seniors Health Card (\$89,290 for a couple/\$55,808 for a single) may also benefit as the lower deeming rate may allow them to now qualify.

Please contact your Account Manager in the first instance, if you would like to obtain further information.

TEMPORARY EARLY ACCESS TO SUPER FOR INDIVIDUALS IN FINANCIAL STRESS

What is the measure?

From mid-April, individuals experiencing financial stress may be able to access up to \$10,000 of their superannuation before 30 June 2020. With a further \$10,000 able to be accessed between 1 July and 30 September 2020.

To apply for early release of funds you must satisfy one of the following:

- 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;
 - your working hours were reduced by 20% or more; or
 - if you are a sole trader – your business was suspended, or there was a reduction in your turnover by 20 per cent or more.

Considerations

These withdrawals will be tax free and will not be impact on Centrelink or Veterans Affairs payments.

Accessing super early should be considered a last resort. However, given the potential cashflow impact of the shutdown may be severe and long lasting for some households, it may be necessary to use this option.

In this case, first consider all opportunities to reduce household expenditure, draw on all other government benefits such as the job seeker payment for cash flow, and approach banks and utility providers for payment relief. This may allow capital to be stretched out and preserve more of your super for retirement.

Members of industry and retail super funds can apply for early release through the myGov website, from mid-April. Separate arrangements will apply for members of self-managed superannuation fund (SMSF), your Account Manager can assist as soon as the ATO has released the application forms.

Disclaimer

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