

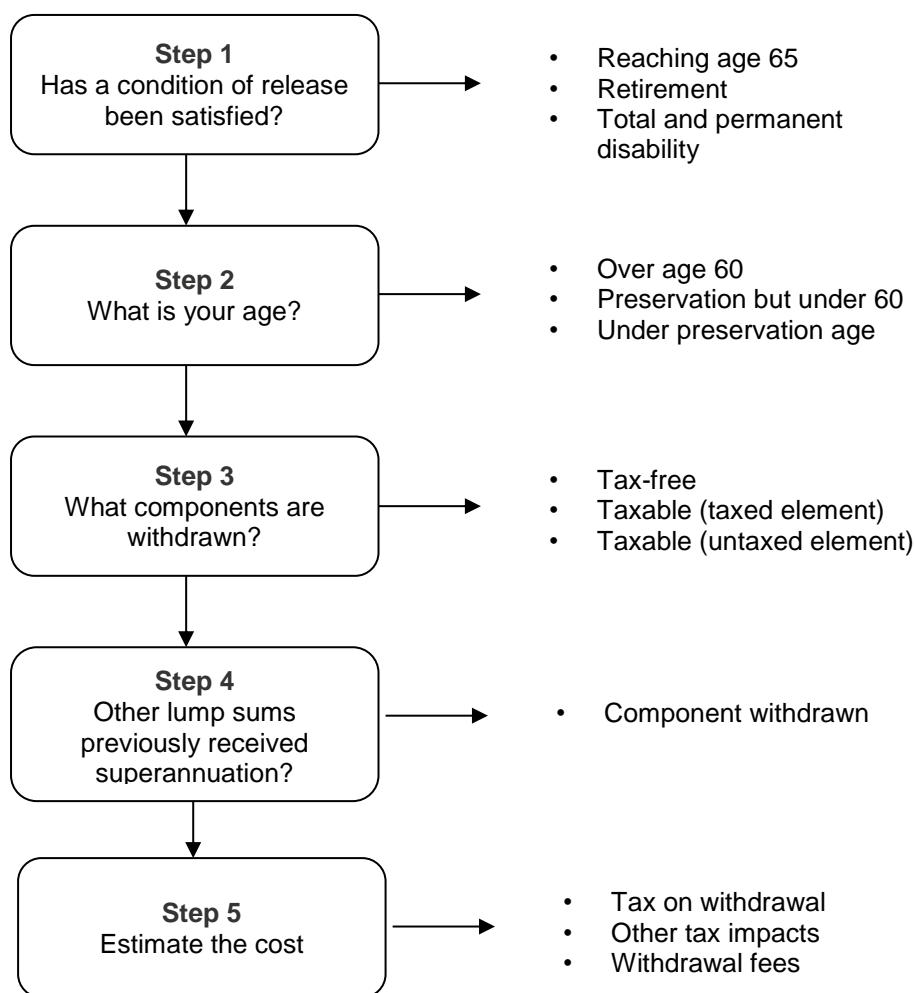
# Withdrawing Lump Sums from Superannuation

You can only access your money in superannuation once you meet a condition of release, such as retirement. At that point, you can choose to leave it in superannuation, take a lump sum or start an income stream.

Before making a withdrawal, you should consider any costs such as tax and withdrawal fees. Working with your adviser in advance to look at effective strategies may allow you to manage your tax liability and gain the most value from your hard earned savings.

## The Steps for Making a Lump Sum Withdrawal

When making a decision to take a lump sum out of super there are several steps to determine if this is the right approach and the impact the withdrawal will have. This is shown in the following diagram with each step discussed below.



### Step 1 - Conditions of Release

Your superannuation can only be accessed when you have satisfied a condition of release. The withdrawal request needs to be in writing to the superannuation trustee and may need to be supported by a statement or evidence that you have satisfied a condition of release.

# Withdrawing Lump Sums from Superannuation

There are a number of conditions of release but the three main ones are discussed here. For other situations you should discuss your circumstances with your adviser.

## Reaching age 65

At age 65 you are able to access all your superannuation, even if you are still working (unless your employer fund has restrictions).

## Retirement

The definition of retirement needs you to be over your preservation age and permanently retired (i.e. do not intend to work again for more than 10 hours in any week). Preservation age is gradually increasing as shown:

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
1 July 1964 or later	60

If you stop a job after you reach age 60 you can access your superannuation even if you intend to keep working in another job.

## Permanent incapacity

You are able to access your superannuation if you become totally and permanently incapacitated. This will require doctors to verify that you are unlikely to be able to work again.

## Step 2 – Your Age

Your age is relevant for determining conditions of release (in Step 1) and the taxation that will apply (Step 5). Your age is measured as the age at the time of making the withdrawal.

## Step 3 – Components of your Superannuation

Superannuation savings are split into three tax components. You may have one or more of the following components in your fund:

- Tax-free component
- Taxable component – element taxed
- Taxable component – element untaxed

Each withdrawal you make will be split proportionally across each component. The tax rules vary for each component depending on your age, as shown below.

## Step 4 – Previous Withdrawals

If you are making a withdrawal under age 60 we need to check what other withdrawals you have made from your superannuation savings (across all accounts) as this may affect the tax you pay on any new withdrawals.

## Step 5 – Estimate the Cost

# Withdrawing Lump Sums from Superannuation

You may pay tax on withdrawals from superannuation, depending on your age and the tax components.

## Over age 60

If you are age 60 or over the tax on lump sum withdrawals is shown in the table below for the 2020/21 financial year.

Component	Threshold	Tax rate
Tax-free	All	0%
Taxable (element taxed)	All	0%
Taxable (element untaxed)	Up to \$1,565,000	15%*
	Over \$1,565,000	45%*

\*Plus Medicare Levy

## Preservation age but under age 60

If you have reached your preservation age but are under age 60, the tax on lump sum withdrawals is shown in the table below for the 2020/21 financial year.

Component	Threshold	Tax Rate
Tax-free	All	0%
Taxable (element taxed)	Up to \$215,000	0%
	Over \$215,000	15%*
Taxable (element untaxed)	Up to \$215,000	15%*
	\$215,000 - \$1,565,000	30%*
	Over \$1,565,000	45%*

\*Plus Medicare Levy

## Under your preservation age

You generally cannot access your superannuation under preservation age unless you are permanently incapacitated.

If you are under your preservation age, the tax on lump sum withdrawals is shown in the table below for the 2020/21 financial year.

Component	Threshold	Tax Rate
Tax-free	All	0%
Taxable (element taxed)	All	20%*
Taxable (element untaxed)	Up to \$1,565,000	30%*
	Over \$1,565,000	45%*

\*Plus Medicare Levy

If you withdraw a taxable component and tax is paid on this amount, it is added to your assessable income and may impact your entitlement to other tax offsets or benefits. This may mean you pay more tax than you expect on other income in that year.