

# Wealthy Self.

Financial planning for growing families

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## Financially Supporting Individuals and Households through COVID-19

The Australian Government is providing financial assistance to Australians. This assistance includes income support payments, payments to support households and temporary early releases of superannuation.

- Income support for individuals
- Payments to support households
- Temporary early release of superannuation
- Temporarily reducing superannuation minimum drawdown rates
- Reducing social security deeming rates

### Income Support for Individuals

Over the next six months, the Government is temporarily expanding eligibility to income support payments and **establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight.**

### Eligibility Payment Categories

The income support payment categories eligible to receive the Coronavirus supplement are:

- Jobseeker Payment<sup>1</sup> (and all payments progressively transitioning to JobSeeker Payment; those currently receiving Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension)
- Youth Allowance Jobseeker
- Parenting Payment (Partnered and Single)
- Farm Household Allowance

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- Special Benefit recipients Anyone who is eligible for the Coronavirus supplement will receive the full rate of the supplement of \$550 per fortnight.

## Payments to Support Households

The Government is providing **two separate \$750 payments to social security, veteran and other income support recipients and eligible concession card holders**. The first payment will be made from 31 March 2020 and the second payment will be made from 13 July 2020.

Around half of those that benefit are pensioners. This payment will help to support confidence and domestic demand in the economy. The second payment will not be made to those eligible for the Coronavirus supplement.

### Eligibility for the first and second payment

To be eligible for the first payment, **you must be residing in Australia and be receiving one of the following payments, or hold one of the following concession cards, at any time from 12 March 2020 to 13 April 2020.**

• Age Pension	• Widow Allowance
• Disability Support Pension	• Family Tax Benefit, including Double Orphan Pension
• Carer Payment	• Carer Allowance
• Parenting Payment	• Pensioner Concession Card (PCC) holders
• Wife Pension	• Commonwealth Seniors Health Card holders
• Widow B Pension	• Veteran Service Pension; Veteran Income Support Supplement; Veteran Compensation payments, including lump sum payments; War Widow(er) Pension; and Veteran Payment.
• ABSTUDY (Living Allowance)	• DVA PCC holders; DVA Education Scheme recipients; Disability Pensioners at the temporary special rate; DVA Income support pensioners at \$0 rate.
• Austudy	• Veteran Gold Card holders
• Bereavement Allowance	• Farm Household Allowance
• Newstart Allowance	
• JobSeeker Payment	
• Youth Allowance	
• Partner Allowance	
• Sickness Allowance	
• Special Benefit	

To be eligible for the second payment, you must be residing in Australia and be receiving one of the payments or holding one of the concession cards that were eligible for the first payment: JobSeeker, Youth Allowance JobSeeker, Parenting payments, Farm Household Allowance, Special Benefit.

## Temporary Early Release of Superannuation

The Government is allowing individuals affected by the Coronavirus to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21. Individuals will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

Eligibility 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.

## Temporarily Reducing 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 holding these products by reducing the need to sell investment assets to fund minimum drawdown requirements.

## Temporary Reduction in Superannuation Minimum Drawdown Requirements

This measure will benefit retirees with account-based pensions and similar products by reducing the need to sell investment assets to fund minimum drawdown requirements.

The reduction applies for the 2019-20 and 2020-21 income years

Age	Default minimum drawdown rates (%)	Reduced rates by 50 per cent 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

This measure will have no impact on the underlying cash balance for 2019-20 and a negligible impact in 2020-21.

## REDUCING SOCIAL SECURITY DEEMING RATES

On 12 March, the Government announced a 0.5 percentage point reduction in both the upper and lower social security deeming rates. The Government will now reduce these rates by another 0.25 percentage points.

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 Age Pensioners who will, on average receive around \$105 more of the Age Pension in the first full year the reduced rates apply.

### Helen is a single part-rate age pensioner

Helen receives a single part-rate Age Pension. She has \$200,000 in financial assets with \$175,000 held in a term deposit which returns 1.5 per cent and the remainder in a cash transaction account earning a negligible rate of interest.

Under the former deeming rates, Helen's Age Pension would have been reduced by \$8.50 per fortnight as her income was above the income test threshold. With the change in deeming rates Helen has less deemed income and will now be eligible for a **maximum** rate Age Pension.

### Leslie and Brian are an age pensioner couple

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.

## HOW CAN WEALTHY SELF HELP?

During these challenging times, it is important that we keep the lines of communication open. If at any time you wish to discuss your financial circumstances or personally believe that you may need some assistance with your personal situation but really don't know where to start, [please contact David](#) or send an email to: [david@wealthyself.com.au](mailto:david@wealthyself.com.au)

We may not have all the answers but we will do everything we can to help you in any way that we can.

From our family to yours, stay safe.



David

**Director, Founder & Principal Adviser**

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