Superannuation:
What Makes it "Super"?

Have you ever saved up to buy something? Maybe you are putting money aside now to buy a car or something that is important to you. Superannuation, often called super, is money you set aside during your working life to provide an income to live on when you retire from work.

What is "super"?

Most people start to contribute to super when they begin work and keep contributing until they retire. The money is invested in one or more super funds of your choice. Currently Australian employers must by law contribute 9.5% of an eligible employee's ordinary time earnings into a super fund. This contribution is called the superannuation guarantee.

In many jobs, your employer is required by law to allow you to choose either the employer's nominated fund or your own preferred super fund. They must give you a standard choice form to choose your fund.

Employers must pay super guarantee contributions into a super fund at least every three months. They have 28 days after the end of each quarter to make the payment.

Superannuation does have benefits for many people can take advantage of some of these benefits even if you're many years away from retirement age.

Did you know you can get income protection from your superannuation?

Most superannuation funds offer its members (that's you) life insurance cover (also called death cover) and total and permanent disability (TPD) insurance cover automatically. Income protection insurance is also available, but this is not usually offered automatically.

Income protection is sometimes called salary continuance and that is exactly what it does. This cover pays you a salary-type payment for a specified period if you become unable to work due to illness or injury.

Like any insurance cover, income protection has its pros and cons. When you are paying the premiums out of your superannuation as part of a life insurance policy, there is a couple of extra ticks in each of those columns.

Pros	Cons
Cheaper: insurance can be quite expensive, but your superannuation fund purchases these policies in bulk and so can usually pass savings onto its members.	Early end date: superannuation insurance usually ends around 65, whereas private insurance covers continue until you stop paying premiums.
Fewer health checks: you can usually get a default level of cover without a health check, helpful if you are in circumstances that make it more difficult for you to get cover if you need to meet specific health criteria. (NB: make sure you check your super fund's individual product disclosure statement for exclusions and conditions though.)	Early end date: superannuation insurance usually ends around 65, whereas private insurance covers continue until you stop paying premiums.
Easy payment: the premiums are automatically deducted from your account. (NB: there are legal rules about automatic cancellation of insurances on inactive and low balance superannuation accounts – your super fund or contract will tell you if your cover is near to ending.)	Early end date: superannuation insurance usually ends around 65, whereas private insurance covers continue until you stop paying premiums.
Cover flexibility: you can usually increase your cover from the default level. Bear in mind this usually means answering health questions or doing health checks.	Early end date: superannuation insurance usually ends around 65, whereas private insurance covers continue until you stop paying premiums.
Lower tax: Super contributions and salary sacrifice are taxed at 15% which is lower than most individual tax rates.	

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Did you know you can access your super early?

Recently there has been lots of media coverage about the government’s promise to allow some people to access up to $20,000 (in 2 x $10,000 payments over 6 months) of their super because of financial hardship experienced because of COVID-19.

This is not a new idea. The Australian Government has had an early release scheme in place for several years prior to COVID-19. The www.servicesaustralia.gov.au website sets out the steps you must follow to access some of your super early. To do this you must meet one (1) of the listed eligibility requirements. This means you must:

1. be in severe financial hardship, which is defined as:
   a. being unable to pay reasonable and immediate family living costs, and
   b. having been on a Centrelink payment, but not as a full time student, for a minimum of 26 weeks in a row, or
2. have a terminal illness, or
3. be a temporary resident, or
4. have less than $200 in your super fund, or
5. meet compassionate grounds. The ATO lists of some examples of compassionate grounds as:
   a. Medical treatment and transport for you or your dependant.
   b. Making a payment on a home loan or council rates so you don’t lose your home.
   c. Modifying your home or vehicle or buying access aids if you or a dependant has a severe impairment.
   d. Palliative care for you or your dependant.
   e. Expenses to do with the death, funeral or burial of your dependant.

If you want to apply to release your super early on any of the grounds listed 1. – 4. then you need to contact your super fund directly. If you want to get an early release on compassionate grounds, then you need to contact the ATO.

Can you close your super account?

Unless you have less than $200 in your super account you cannot withdraw the money early to effectively close your account. However, if you are worried about your super being “eaten away” as you are not contributing to it and do not have plans to contribute to it in the immediate future there are a few things you can do to minimise your account’s depletion.

- Check how many super accounts you have: Many Australians have more than one superannuation account. Since July 2019 all the superannuation funds have had to lodge individuals balances with the ATO. So, if you have online access to the ATO via the my.gov website. Here you can check all your accounts and even request to roll them into the one account. A bump up in your balance will save you fees and may allow you to keep paying insurance premiums to keep your cover.
- Get rid of your insurance: If you have checked your super but still don’t have enough of a balance to let your insurance cover continue, then you can cancel your automatic life and TPD cover.
- Check out other options: Although you can’t withdraw your super to close your account, rolling it over into another fund will close your account. Super funds are not all created equal when it comes to account fees. If you do a bit of research, you can usually find a better deal than your current fund. And remember, superannuation funds want to be able to continue to invest the money that you hold in your account, so you do have a pretty solid negotiation position. Many banks have super options these days that are often cheaper than regular superannuation funds, sometimes even cheaper than industry super funds.

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What is difference between the different types of superannuation funds?

Type of super fund	Features
Industry funds	There are 15 Industry Super Funds and www.industrysuper.com lists them all. Industry Super Funds are run only to benefit members. Generally, they have low fees and there is a fund 'for every type of worker, regardless of occupation'. 14 of the 15 funds are industry specific. This means if you do not work in that industry you cannot become a member. However, Australian Super is an Industry Super Fund and has 2.3 million members. This makes it the largest super fund in Australia. It is a fund for the public. So even if you do not work in one of the specified industries, you can still be member of a fund that offers lower fees and that don't pay commissions.
Retail funds	These funds are operated by financial institutions and are open to everyone. They allow many people and companies to operate their super arrangements as a single group.
Corporate funds	These are generally open to people who work for a company or employer and are usually tailored to meet the requirements of the particular company and its employees.
Self-managed super funds (SMSF)	These are also known as do-it-yourself or DIY funds and are used by people who want to create and operate their own super fund. It must have less than five members who are solely responsible for the management and operation of the fund within a strict legal and regulatory framework. They are generally unsuitable for people with small amounts of money.
Public sector funds	These funds are provided by the government for public sector employees.

What is a Beneficiary?

A 'beneficiary' is a person you nominate to receive your superannuation benefits (death benefit) if you die. To make sure your super fund knows what you would like to happen to your super after you're gone, you can choose a 'beneficiary'. Generally, your beneficiary must be a dependent.

- Non-binding beneficiary: If you make a non-binding nomination, the trustee of your super fund will decide about who to pay your death benefit too. But it is also legally obliged to determine who your dependents are and any other relevant considerations at the time of your death. Your benefit will be paid to those considered to be financially dependent on you and, in some cases, this will not be the person or people nominated.
- Binding Beneficiary: If you make a binding nomination, the trustee of your super fund is required, by law, to pay your benefit to the person/s you have nominated when you die, as long as the nomination is valid at the time of your death. Binding nominations generally only remain valid for three years.
- No nomination of beneficiary: If you don't nominate someone, the trustee of your fund will decide who receives your death benefit. The trustee has to pay your benefit either to one or more of your dependents or to your estate for distribution according to your will (or both).