Permanent incapacity and super

What it means if you're totally and permanently disabled

Most people think of superannuation as money they can't touch until retirement, but there are important exceptions. One significant exception is the permanent incapacity condition of release, which can allow people who are totally and permanently disabled to access their super earlier.

Understanding how this works can make a real difference at a time when income, medical costs, and financial security are often under pressure.

What is permanent incapacity?

Under superannuation law, permanent incapacity generally means that, because of physical or mental ill-health, you are unlikely to ever work again in a job for which you are reasonably qualified by education, training, or experience.

To meet this condition of release, your super fund usually requires certification from two medical practitioners confirming that your condition is permanent and prevents you from returning to suitable employment.

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Permanent incapacity and super ... cont

Once this condition is satisfied, your super can be released to you, even if you are well below preservation age.

You can access super even without insurance

A common misconception is that you can only receive money from super if your fund held Total and Permanent Disability (TPD) insurance. That's not the case.

Even if your super fund did not have any insurance cover at all, you may still be able to access:

» Your existing super balance

» Employer contributions

» Personal contributions and earnings

The permanent incapacity condition of release applies to your super savings themselves, not just to insurance payouts. This can be especially important for individuals who changed jobs frequently, had low balances, or opted out of insurance.

In other words, the absence of insurance does not prevent access to super if you meet the permanent incapacity rules.

How the money can be paid

Once approved, the released super can usually be taken as:

» A lump sum – which may assist with large expenses like paying off the mortgage

» An income stream which may assist with meeting ongoing living expenses

Tax treatment may vary depending on your age and the components of your super, but in most cases, part of the benefit will be taxed concessionally compared to regular income.

It is important to get advice about your options and any tax implications before payment.

The role of TPD insurance in super

While insurance is not required to access super under permanent incapacity, TPD insurance held inside super can provide significant additional support.

If your fund includes TPD cover and your claim is accepted, the insurance benefit is paid into your super account. This can substantially increase the amount available to you, often at a time when earning an income is no longer possible.

Some key benefits of TPD insurance in super include:

» Premiums are generally deductible to the fund and this benefit is passed on to the member

» Premiums are paid from super, not your take-home pay meaning it won't impact your cashflow

» You may not have to deplete super savings otherwise set aside for retirement

Final thoughts

The permanent incapacity condition of release from super exists to provide financial support when it's needed most. If you are totally and permanently disabled, superannuation is not locked away indefinitely and can be accessed to help you manage life after work.

Whether or not insurance is involved, understanding your options can ease financial stress and give you more control during a difficult time. If you think you may qualify, speak to us to help guide you through your next step with confidence.