

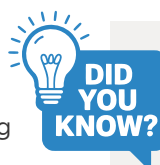
SUPER AND MORTGAGE ARREARS:

What the rules already allow



It has been proposed that people who pay rent or have a mortgage be allowed to divert a quarter of their future super contributions into take-home pay for up to three years. Employers would keep paying the full 12%, but the super fund would pay 3% directly to members who opt in. Reaction to the proposal has been mixed.

However, did you know that it is already possible to access your super on compassionate grounds if you are about to lose your home due to foreclosure?



Accessing super under compassionate grounds to stop a forced sale applies to your home only. Investment properties do not qualify, and neither does rent. If you are renting and behind on payments, you may be eligible to draw a lump sum from super under severe financial hardship. To qualify you generally need to be unable to pay living expenses, such as rent, and be in continuous receipt of income support payments, such as JobSeeker, for 26 weeks.

Know how much you can take

You can apply for a lump sum of up to three months of mortgage repayments plus 12 months' interest on the outstanding balance. If your repayments are \$1,200 a month and 12 months' interest comes to \$9,600, the most you can request in a 12-month period is $(3 \times \$1,200) + \$9,600 = \$13,200$.

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

Super and Mortgage Arrears: What The Rules Already Allow ... Cont

To qualify you must satisfy the following:

- » The property is your principal place of residence.
- » You are legally responsible for the mortgage repayments or the council rates.
- » You have written advice that the home is to be foreclosed, sold or repossessed, either a default notice from your lender or a council notice that rates have been outstanding for two or more years.
- » You have no capacity to pay the amount needed to stop the sale.

Know which debts are covered

There are three debts that are covered under this option to access super:

- » Mortgage arrears where the lender has issued a repossession or sale notice.
- » Council rates in arrears for two or more years where the council has given written notice it will sell your home.
- » A debt to a third party where a court order authorises an enforcement officer to sell your home to pay it.

Necessary paperwork

For mortgage arrears you need the default notice, a utility bill less than three months old in your name showing the property address, and a letter from each lender on its letterhead dated within 30 days of your application. That letter must state the overdue amount, the amount owing to stop the sale, the property address, three months of repayments, 12 months' interest, and who is responsible for the loan.

Council rates applications need the utility bill and an equivalent council letter itemising the arrears year by year. If you cleared the arrears by borrowing elsewhere, you can still apply, but you will need documents showing what was owing at the time.



REMINDER

Money taken out of super early can greatly impact your savings at retirement. Keep in mind withdrawals may also be subject to a maximum 22% tax (including Medicare levy). Don't forget to speak to your adviser to discuss your options.

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