Coronavirus and the Early Access to Super – Or should you wait and buy a helicopter?!?!?

We have heard from a number of clients about accessing superannuation due to Coronavirus. So, we thought we should get some information out to you, in order to help any thoughts you may or may not have about it.

What is it?

Eligible citizens and permanent residents of Australia or New Zealand can apply for up to $10,000 this financial year, and up to a further $10,000 next financial year from their Superannuation, tax-free.

To check your eligibility, you can head to the ATO website; however if you are unemployed, have had your job made redundant or you have had your working hours reduced by 20% or more due to Coronavirus, then you should be eligible.

Now, should you do it?

That's not for us to say right here and right now but, it has been said that over 1 million Australians will look to access these monies.

So, when you take out of the equation all those who don't have superannuation, and all those who already have access to their superannuation, we are talking about 1 in 10 people

What's the impact?

In order to assess the impact, we need to look at an Investment theory called the Rule of 72; that is a simple way to determine how long an investment will take to double.

- If your $20k investment in super gets an average rate of return of 7.2%, then it will take 10 years to double. (7.2*10 = 72)
- If your $20k investment in super gets an average rate of return of 9%, then it will take 8 years to double. (9*8 = 72)

Now, prior to COVID-19, the Australian Share Market over the preceding 40 years, averaged 9.4% per annum. But, let's use 7.2% just to be a wee bit more conservative and for ease of calculations.

Now just to prove that the theory works, grab your calculator and work along with us…

- $20,000 * 7.2% = how much? That's right $21,440 at the end of year 1
- $21,440 * 7.2% = $22,983 at the end of year 2
- $22,983 * 7.2% = $24,638 at the end of year 3
- $26,412 at the end of year 4
- $28,314 at the end of year 5
- $30,352 at the end of year 6
- $32,538 at the end of year 7

- $34,880 at the end of year 8
- $37,392 at the end of year 9
- $40,084 at the end of year 10

So, now let's say that you are 35 and are looking to access the full $20,000 over the next few months, and if we bring in the Rule of 72; what would that money look like into the future if you didn't access the money?

- At 45 - $40k
- At 55 - $80k
- At 65 - $160k; and assuming that you haven't spent all your superannuation, at age 75 that money would be worth $320k

So, coming back to the question as to whether you should do it…

We are not saying that you shouldn't, because if that money will save your home, or is the difference between putting food on the table or not, then common sense should prevail, however if you are looking to access the monies to buy a new jet ski, why not leave the money where it is and buy yourself a helicopter for your 75th birthday?!?!

If you want to talk through your particular situation, please give us a call or send us an email.

General Advice Warning

The information contained in this document is general in nature and does not constitute personal financial advice. The information has been prepared without taking into account your personal objectives, financial situation or needs. Before acting on any information in this document you should consider the appropriateness of the information and seek professional advice from a licensed financial adviser.