# Managing Total & Permanent Disability payments through superannuation.

October 2021

This fact sheet is for Hostplus members who have had a Total & Permanent Disability (TPD) insurance claim approved by Hostplus.

## Your TPD claim has been approved, what happens next?

If your TPD insurance claim is approved, it will be deposited into your existing Hostplus super account.

At this stage you can choose to:

- Continue with your Hostplus super account to access to low fees and competitive performance,
- Partial or full balance withdrawal,
- Begin an income stream via a Hostplus Account Based Pension account, or
- A combination of the above.

While taking a lump sum may seem like a favourable option for your immediate needs, you have access to expert financial planners who can help you plan the best options for your personal needs.

## Comparing your options

| Option | Things to consider |
|---|---|
| **Continue your super account** | Choosing to keep your money in your super account may increase your eligibility for other support payments like the Disability Support Pension. Any earnings from money held in your super will be taxed at a maximum of 15% which is generally lower than the amount of tax you'd pay outside of superannuation. |
| **Withdrawal of funds** | If you choose to withdraw a lump sum you will likely need to pay an amount of tax. The amount of tax payable depends on your age and the type of funds you're withdrawing e.g. insurance benefits or super paid by your employer. If you have not met your individual preservation age, any taxable amounts you withdraw from your super will be added to your assessable income. This will be taxed at a maximum rate of 20%, plus the Medicare Levy. |
| **Begin an income stream** | An account-based pension can help you minimise your tax, especially in cases of TPD. This is because earnings in a pension account are tax free, and provides access to tax concessions on pension payments. If you have not reached preservation age, you are still eligible to receive a 15% tax offset on pension payments if you choose to begin a disability super income stream. |

Minimise tax and maximise benefits on your TPD payment.

**Case study: How Steven made the most of his TPD benefit**

Steven is 50 years old and after suffering a severe injury he can claim a payment of $200,000 because of the TPD cover he holds. The money is paid into his super fund and added to his existing balance of $100,000. A total of $300,000 is now in his account. Steven would like to withdraw the full balance and at the same time, minimise any tax payable on his benefit and maximise his Disability Support Pension from Centrelink.

Because he's under preservation age^, if he withdraws the full $300,000 a portion of the lump-sum will be taxable*. In this example, a taxable component of $176,463.90 is added to his assessable income and taxed at a maximum rate of 22%. This means Steven would have to pay $38,822 tax, leaving him with a payment of $261,178. The after-tax payment amount could also be 100% assessable in determining his Disability Support Pension if held in investments outside super.

Steven meets with a Financial Planner who helps him determine his short and long-term goals and objectives which include clearing some debts immediately and establishing an ongoing income to supplement his Disability Support Pension.

The Financial Planner recommends Steven use a combination of a lump sum withdrawal, and an account-based pension while also keeping some money in his super. He would like to withdraw the full balance as a lump sum, minimise any tax payable on his benefit and to maximise his Disability Support Pension from Centrelink.

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## How Hostplus can help

TPD claims through Super can be complex, at Hostplus, we're committed to providing members specialist, individual advice through expert planners.

Financial advice can help you now, and into the future. Take the stress out of the unknown by working with a team of experienced and licensed financial planners* who will provide you the confidence, guidance, and clarity you need to help setup, and meet, your financial goals.

To book an appointment, call us on **1300 348 546** or visit [hostplus.com.au/financial-planning](hostplus.com.au/financial-planning)

^Preservation age is defined as the age you can access your super if you are retired (or start a transition to retirement income stream), Australian Tax Office website, www.ato.gov.au. *Calculated using the ATO formula for calculating the tax-free component of a disability lump sum: amount of lump-sum x (days to retirement/ {service days + days to retirement} ). Conversion is based on a legislated formula and is not automatic. This information is general advice only and does not take into account your personal objectives, financial situation or needs. You should consider if this information is appropriate for you in light of your circumstances before acting on it. Please read the relevant Hostplus Product Disclosure Statement (PDS), available at hostplus.com.au before making a decision about Hostplus. For a description of the target market, please read the Target Market Determination (TMD), available at hostplus.com.au/ddo. You may also find it beneficial to obtain advice from a licensed financial adviser. Hostplus has engaged Industry Fund Services Limited (IFS) ABN 54 007 016 195, AFSL 232514 to facilitate the provision of personal financial advice to members of Hostplus. Advice is provided by financial planners who are Authorised Representatives of IFS. Fees may apply. Further information about the cost of advice is set out in the relevant IFS Financial Services Guide, a copy of which is available from your financial planner. INH 1315 10/20