THE TREASURY

SUBMISSION

to

House of Representatives Standing Committee
on Employment, Education and Workplace Relations

INQUIRY INTO SOCIAL, ECONOMIC AND INDUSTRIAL ISSUES SPECIFIC TO WORKERS OVER 45 YEARS OF AGE WHO ARE SEEKING EMPLOYMENT OR ESTABLISHING A BUSINESS FOLLOWING UNEMPLOYMENT

July 1999

INTRODUCTION

The Department of the Treasury was invited by the House of Representatives Standing Committee on Employment, Education and Workplace Relations to make a submission to its inquiry into the social, economic and industrial issues specific to workers over 45 years of age who are seeking employment, or establishing a business following unemployment. The Committee noted that they were particularly interested in information Treasury could provide on the income and wealth effects of labour market changes affecting people over 45 years of age, including impacts on superannuation assets, and on the budgetary implications of mature age unemployment. This Submission responds to the Committee's interest in information from Treasury on the financial implications of mature age unemployment. These issues are examined from an economic perspective. We understand that other Commonwealth Government Departments will be addressing other issues associated with mature age unemployment, including from social and industrial perspectives.

Unemployment generally results in individuals and their families experiencing significant reductions in current income, and reduces the individual's ability to accumulate wealth to provide for retirement and other financial goals. Unemployment will also impact on government budgets through reduced taxation receipts and increased social security payments, and indirectly through the increased need for public health services, education and training, and other social programs. At a broader level, unemployed resources in the economy are likely to be reflected in lower than otherwise economic growth.

Mature age unemployment (where unemployment occurs after the age of 45) raises a number of specific issues:

- While relative to others these individuals may possess a range of additional skills and experiences, they may also face additional barriers to employment such as age discrimination, skill redundancy and, potentially, some degree of (age related) disability which increases the risk that the period of unemployment may be prolonged.

- Equally, while they may have accumulated some wealth over their working lives, the relative infancy of the compulsory superannuation arrangements and the financial obligations associated with raising families may mean that some individuals may have only recently begun to save for retirement.

  - These problems are likely to be accentuated by the fact that many currently mature-aged workers may not have anticipated the risk of unemployment, due to having commenced their working lives in a period of near full employment.

Section I of the submission explores the financial implications for individuals who experience unemployment between the ages of 45 and 65. Section II describes the government income support payments available to these workers, and the rules governing their access to any superannuation assets they may have accumulated. Section III discusses the budgetary implications of unemployment within this age group and the broader economic implications of unemployment.

I. THE FINANCIAL IMPLICATIONS OF UNEMPLOYMENT

As noted earlier, unemployment generally will reduce an individual's current income as well as their ability to accumulate wealth over their working lives. Means tested government support payments will help mitigate some of these financial implications. However, the precise impact of unemployment will vary from individual to individual and depend on a range of factors including:

- previous income and accumulated wealth (including superannuation);
- access to social security, superannuation savings, and other support (such as from family members);
- the duration of unemployment;
- retirement age; and
- the time between the period of unemployment and retirement.

Appendix 1 examines the real wealth and income effects of different employment and retirement scenarios for a hypothetical single male on average weekly earnings experiencing unemployment after the age of 45. The financial effects of these different scenarios are measured by net expenditure after age 45, which is defined as all wage and income support payments, along with the accumulation and use of superannuation assets, less income tax. Available net expenditure provides a better indicator of living standards than net income as it excludes saving and includes the draw down of previously accumulated assets.

Previous income and accumulated wealth

Previous income levels determine both the relative decline in income associated with unemployment, and the savings, or net wealth, available to mitigate the financial implications of unemployment. Net wealth will also be influenced by past savings decisions (in turn influenced by perceptions of job security and by financial and other goals), investment strategies, and existing financial obligations.

Many individuals currently aged over 45 but under age pension age may not have accumulated significant assets which they can use to alleviate the financial consequences of unemployment.

- While the introduction of compulsory superannuation has encouraged many individuals to save more than they would have otherwise, its relative infancy and the emphasis on preservation would suggest that unemployed individuals are unlikely to obtain significant assistance from this source.
- Most workers only begin to significantly increase their voluntary savings from around the age of 45. This reflects both a growing awareness that retirement is approaching and an increased capacity to save, as income tends to peak around this age while consumption begins to trend down slightly (due to factors such as children leaving home and home mortgages being reduced or eliminated).
- As noted above, for currently mature workers this tendency towards the late accumulation of assets for retirement is often reinforced by their expectations of job security.

Access to social security and superannuation

The financial implications of unemployment may be mitigated by access to activity and means-tested government income support payments and increased access to other forms of government assistance (Section II provides further detail). It is also possible to access accumulated superannuation assets subject to certain guidelines.

Income support payments and other social security payments will generally only partly offset the loss of an individual's employment income.

- For example, for a single person on average wages who is unemployed for up to five years from age 45, the lifetime increase in social security benefits (including age pension payments) is equal to around a third of the net wages and superannuation benefits that would be lost.[1]
  - Individuals with below average earnings (because of part-time work or an intermittent employment history) and/or with lower net wealth will generally have a smaller relative reduction in income due to unemployment or early retirement. This is because unemployment benefits and the age pension replace a larger share of their previous disposable income.
  - Individuals with above average earnings or who have accumulated additional net assets will generally face a larger relative decline in their financial position. They will still, however, have a higher living standard (in terms of available net expenditure) than individuals with average or below average incomes.
  - Social security payments will generally replace a larger share of the lost earnings of individuals with a dependant spouse and/or children.

An overview of the income support payments available to mature workers and of the rules governing access to superannuation assets is provided in Section II, with further details in Appendix 2 and Appendix 3.

The financial implications of unemployment may also be influenced by the interaction of superannuation and social security asset test arrangements (which are more stringent for those on unemployment benefits than for pensioners, see Appendix 2).

Duration of unemployment and retirement age

The longer a person is unemployed, and/or the earlier they retire the greater the adverse financial impact. This reflects:

- the loss of employment income;
- the reduced accumulation of superannuation and other assets for use in retirement; and
- the draw down of previously accumulated superannuation and other assets earlier (resulting in forgone asset interest) or over a longer period (reducing income available each year).

It is estimated, for example, that an individual on average earnings unemployed for one year at age 45 faces a 3 per cent reduction in available net expenditure after age 45, while a five year period of unemployment would have an impact five times as large.

Retirement age is also significant. Although access to the age pension will in part mitigate the financial consequences of early retirement, an individual on average earnings who retires at age 60 forgoes an estimated 13 per cent of the annual expenditure available after age 45 in comparison to someone retiring at age 65. This impact is even greater for earlier retirement.

Period between unemployment and retirement

The age at which a person experiences a given period of unemployment also impacts on their lifetime financial position. Individuals who become unemployed later in life are less able to

[1] This estimate is based on cases 1, 2 and 3 in Appendix 1.

increase savings to make up the shortfall in their anticipated retirement income. The age at which unemployment occurs will also determine total superannuation and other assets and, therefore, accumulated interest and earnings on such assets.

- For example, an individual on average earnings unemployed for a year at age 64 would receive a gross retirement benefit around $9,500 larger than someone in the same circumstances who was instead unemployed for a year at age 45. This reflects the additional interest accumulated over these nineteen years.

II. INCOME SUPPORT OPTIONS

The main sources of financial support for unemployed people over 45 years of age are social security benefits and access to previously accumulated assets, including superannuation. The value and form of available assets may also affect access to social security benefits.

Access to social security benefits

The primary form of government support for people unemployed and seeking employment is Newstart Allowance (NSA). This allowance may be accessed by all unemployed people below retirement age, subject to an activity test, and income and assets tests.

- The current basic rate of payment for these allowances is $325.70 per fortnight (single) or $293.80 per fortnight (each of a couple).[2] Single people over 60 years of age who have been on income support for more than nine months receive a higher rate of $352.30 per fortnight.
  - These compare to pension rates of $361.40 per fortnight (single) and $301.60 per fortnight (each of a couple).

Other social security benefits available to people over 45 but under age pension age include: the Mature Age Allowance for people over 60 years of age; Widow Allowance for women over 50 years of age; and Partner Allowance for people born before 1 July 1955.

- These allowances are paid at the same rates as Newstart Allowance but are not subject to the activity test.

Depending on factors such as marital status and number of dependants, individuals may also be eligible for rent assistance, parenting payment, family allowance and tax rebates (such as dependent spouse rebate and low income rebate).

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2 These are the rates from 20 March 1999 until the next indexation in September 1999.

Access to Superannuation

Balances in superannuation funds may be either "preserved" or "non-preserved".[3]

- Non-preserved superannuation may be accessed before the "preservation age" (currently 55) if a trigger event occurs, including terminating employment with a particular employer.
  - Consequently, individuals are able to access non-preserved superannuation upon becoming unemployed.
- Preserved superannuation amounts are generally required to be held within the superannuation system until the member reaches the preservation age, after which time they may be accessed by retiring (permanently ceasing gainful employment).[4]
  - Preserved amounts may be accessed before preservation age in certain limited circumstances, including:
    - : the death or permanent incapacity of the member;
    - : ceasing employment (at any age) where the benefit is taken as a non-commutable lifetime pension or annuity (subject to fund rules); and
    - : circumstances of severe financial hardship or specified compassionate grounds.

Release of benefits to members who meet either the financial hardship or specified compassionate grounds tests will still be subject to the governing rules of their superannuation fund or retirement savings account (RSA). If the financial hardship test is satisfied, the fund trustee or RSA provider may release one lump sum payment of between $1,000 and $10,000 in any twelve month period, or the balance of a member's benefit if that is less than $1000. The Australian Prudential Regulation Authority determines the maximum amount which may be released on compassionate grounds.

In short, unemployed individuals below the age of 55 may access non-preserved superannuation but have only limited access to the preserved component of their superannuation. Individuals over the age of 55 may access their entire (preserved and non-preserved) superannuation by choosing to retire. As discussed in Section I, this will have implications for their lifetime financial resources.

Interaction of social security and superannuation regimes

The assets tests for determining access to social security benefits includes superannuation assets held by individuals who have been on government benefits for a cumulative total of 39 weeks or more since the age of 55 (ie, they are not included in determining access to government benefits for the first 39 weeks).[5]

- Individuals with modest superannuation and other assets are not affected as they are protected by the 'free areas' which allow income and assets up to certain amounts before payment is

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[3] The determination of which contributions must be preserved is currently quite complex. Broadly speaking, from 1 July 1999, all future superannuation contributions, including member contributions and fund earnings will be required to be preserved. Amounts which are not preserved at that date will remain non-preserved.

[4] Where a person wishes to retire between preservation age and age 60, the fund trustee must be satisfied the individual never intends to become gainfully employed again before they release the individuals' preserved funds.

[5] From 20 September 1997.

reduced (see Appendix 3). For those effected by this measure, the inclusion of superannuation assets can be an important factor in the decision to take early retirement.

III. BUDGETARY IMPLICATIONS AND ECONOMIC GROWTH

Unemployment affects governments' budgets through a number of channels. Estimating the net impact on the Government's budgetary position over time is not possible, as it depends on a range of factors, including the dissipation of superannuation and other accumulated assets. In general, however, governments' budgetary positions can be expected to be affected adversely by individuals becoming unemployed for periods of their working lives. The main direct impacts on government revenue and outlays are:

- Current and future income tax revenue/receipts will decline – including income tax receipts on superannuation contributions and investment earnings. The generally lower wealth accumulation prospects resulting from periods of unemployment are also likely to reduce future income tax revenues.

- Current and future outlays/expenses on government income support payments will increase.

  - Periods of unemployment during individuals' working lives are likely to result in the age pension accounting for a relatively larger proportion of their retirement incomes.

  - Unemployed individuals (particularly those over 55) who choose to retire and access their superannuation rather than continue seeking work and be eligible for unemployment benefits, would in the first instance, reduce current government outlays. However, these individuals are also likely to be eligible for (relatively) higher age pension payments later in life, thereby adding to future government outlays.

    : This is also true for individuals aged under 55 and accessing their superannuation under hardship provisions.

  - There may be some offset in that mature workers are likely to have higher net assets and investment income than younger workers, and so the means tested income support outlays associated with a given period of unemployment could be smaller for a mature worker.

APPENDIX 1:

REAL WEALTH AND INCOME EFFECTS OF DIFFERENT EMPLOYMENT PATTERNS FOR PEOPLE EARNING AVERAGE WEEKLY ORDINARY TIMES EARNINGS

This Appendix examines the financial implications of different patterns of workforce participation, providing hypothetical estimates of income from different sources after age 45, and real wealth at retirement. Wealth is defined as estimated real superannuation benefits at retirement, while income includes all salary, social security, income from investing superannuation in interest bearing accounts, and superannuation and pension payment withdrawals (if any) received between age 45 to death at age 82 (consistent with average life expectancy). The estimates assume a single male employee receiving a flat salary equal to average weekly ordinary time earnings (AWOTE) throughout his working life.[6] Similar patterns would occur for women, although age pension age is currently lower for women than for men (which will alter the financial implications of not working in some cases, and thus influence behaviour). All cases assume the individual will turn 45 in 2000.

The individual's standard of living is measured by real available expenditure after age 45. This measure differs from real income in that it includes dissaving through capital drawdowns. Such dissaving is characteristic of people with accessible financial savings who experience unemployment or retirement, and so real expenditure is a more appropriate measure than real disposable income for the purpose of this analysis.

Table 1 provides the results of a number of possible cases reflecting different workforce participation and experience. The last two columns of this table express the results as real annual expenditure averages from age 45, and compare this to real net expenditure at age 44.

Concepts and Assumptions

Estimates were made using Treasury's RIMHYPO model for a hypothetical individual who starts work as an employee at age 25 and enters the model at age 37 having accumulated $35,036 in superannuation in 1992 dollars. The amount of superannuation was calculated using INDMOD (a model which calculates superannuation assets) assuming that the person commenced work and received a salary of one times AWOTE and employer superannuation of 7 per cent from age 25 to age 37. (These assumptions are necessary as the RIMHYPO model cannot be run for periods prior to 1992.) The assumed employer superannuation contributions are superannuation guarantee rates from age 37. This rate will be 9 per cent from 2002/03 onwards.

The analysis assumes a number of different workforce experiences and different retirement ages, to enable outcomes to be compared.

The scenarios assume that individuals access superannuation benefits under severe financial hardship provisions, drawing down $10,000 for each year of continuing unemployment before preservation age (currently age 55). Individuals over 55 years of age may also declare themselves retired and obtain the whole of their superannuation benefit in the form of either an Eligible Termination Payment (ETP) or 50 per cent ETP and 50 per cent life time superannuation pension.

All estimates are based on current superannuation and tax policy parameters. Estimates of gross and net superannuation benefits are present values in the year of retirement, deflated to 1997 dollars. The current tax scale has been indexed to AWOTE (annual basis) so that individuals on the same multiple of AWOTE would not change marginal tax rates during their working lives. Further,

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6 While most people would not receive a constant real wage level over the whole of their working lives, flat earnings profiles are an appropriate basis for theoretical analysis.

for the purposes of the analysis the Medicare threshold shade-in and age pension benefits were indexed to AWOTE. This is to ensure that there was no bias in outcomes resulting from interactions between different indexation mechanisms.

The estimates were calculated assuming long run annual consumer price index (CPI) increases of 2.5 per cent, annual increases in wages and salaries of 3.5 per cent, a long term bond rate of 6 per cent and a fund earning rate of 7 per cent.

It should be noted that the dollar values of the benefits and incomes are sensitive to the parameters chosen.

Summary of Aggregate Results

Case 1: Retires age 65, takes an ETP which is fully invested, no career break.

All other cases can be compared to case 1, which assumes a 40 year work history with no career breaks. This employment pattern results in an estimated average annual expenditure after age 45 of around 103 per cent of net expenditure at age 44. The increase is due in part to the rising value of wages, including its effect on pensions.

Cases 2-4: Retires age 65, takes a fully invested ETP, unemployed for one, five or ten years from age 45, takes $10,000 in hardship provisions each year of unemployment after the first.

These cases examine the impact of different periods of unemployment (from age 45) on a person who is able to return to work and retires at age 65. In case 2 the one year period of unemployment reduces net expenditure in retirement by a small amount. Less superannuation assets are accumulated, providing less private retirement income. This loss is only partially offset by higher age pension payments. Average annual expenditure in this case is roughly equivalent to net expenditure at age 44. In cases 3 and 4 the periods of unemployment are longer and the reductions in real expenditure are significantly greater for similar reasons to those outlined for case 2. As a broad order of magnitude, individuals experience around a 3 percentage point reduction in expenditure after age 45 for each year they are unemployed.

- Case 3 can also be compared with case 5 where an individual retires five years early at age 60. Here the reduction in the period over which interest accrues in the superannuation fund (35 years in case 5, versus 40 years in case 3) is more than offset by the ability of the early retiree to structure their affairs so as to retain access to some government income support payments up to age pension age (case 5).

Cases 5-6: Retires age 55 or 60, no career break before retirement, takes retirement benefit as 50 per cent ETP and 50 per cent pension so as to meet the social security assets test prior to age 64.

These cases provide additional benchmarks for comparing periods of unemployment with early retirement options. To avoid exceeding social security asset tests it is assumed that the individual retires for superannuation purposes but subsequently satisfies the activity test for Newstart benefits while under 60 years of age (after which they are eligible for Mature Age Allowance, which has no activity test). Superannuation benefits are assumed to be taken as a 50 per cent ETP and 50 per cent lifetime pension, allowing the receipt of some income support payments prior to age pension age.

Cases 7-9: Retires age 55 and takes an ETP which is fully invested, after having been unemployed for one, five or ten years, takes $10,000 in hardship provisions and receives social security payments in each year of unemployment after the first.

These cases examine the impact of different periods of unemployment before retirement at age 55, with subsequent access to social security. Case 7 assumes that a person becomes unemployed at age 54 and ‘retires’ at age 55 when superannuation is allowed to be fully accessed. Cases 8 and 9 assume that a person becomes unemployed at age 50 and 45. Accessing superannuation assets on financial hardship grounds boosts the individual’s available financial resources while unemployed before age 55 but (along with the loss of employee and employer contributions) significantly reduces the superannuation asset available to provide private income in retirement, and so has a significant impact on their overall retirement income. This impact is reinforced by early retirement, which reduces the period over which superannuation assets accumulate interest. In both cases 8 and 9, individuals receive the full age pension.

- These cases may be compared with case 6, which assumes retirement at age 55 with no career break or unemployment, and so accumulates greater savings and receives a higher retirement income.

TABLE 1: Real Wealth and Income Effects of Different Unemployment Patterns.

All Cases Aged 45 in 2000 and Receive Income of AWOTE Over Their Working Lives. Uses Current Policy Parameters.

	Retirement age	Years unemployed	Age unemployed	Real gross superannuation benefit on	Real net superannuation benefit on retirement	Salary from age 45	Newstart payments from age 45-64	Age pension payments from age 65	Private retirement income	Income tax paid	Net expenditure after age 45	Annual mean real expenditure after age 45	Ratio of post 45 to age 44 real expenditure
Case 1	65	0	na	$255,279	$231,742	$843,729	$0	$164,018	$309,298	$245,829	$1,071,216	$28,952	103%
Case 2	65	1	45	$230,457	$211,016	$805,320	$8,409	$174,832	$281,639	$235,280	$1,042,116	$28,165	100%
Case 3	65	5	45-49	$141,865	$137,041	$647,899	$42,872	$200,262	$182,903	$186,494	$921,668	$24,910	88%
Case 4	65	10	45-54	$54,100	$54,100	$442,327	$87,876	$208,783	$72,199	$122,650	$754,648	$20,396	72%
Case 5**	60	0	na	$195,202	na	$617,198	$38,648	$193,296	$270,591	$188,864	$930,869	$25,159	89%
Case 6**	55	0	na	$129,370	na	$401,402	$79,755	$203,938	$219,595	$121,676	$783,014	$21,163	75%
Case 7	55	1	54	$126,491	$120,404	$359,485	$79,197	$207,525	$192,700	$108,477	$738,430	$19,958	71%
Case 8	55	5	50-54	$91,618	$91,426	$195,830	$129,994	$208,783	$143,425	$59,663	$644,447	$17,417	62%
Case 9	55	10	45-54	$26,474	$26,474	$0	$190,131	$208,783	$33,000	$0	$491,362	$13,280	47%

* Does not include amounts of superannuation taken under hardship provisions during the working life

** Takes benefit as 50% ETP and 50% pension. Net benefit after ETP tax is not meaningful as some benefit is taken as a pension over time - hence these amounts are excluded

na not applicable

APPENDIX 2: ACCESS TO SOCIAL SECURITY BENEFITS AND PENSIONS

An unemployed person below age pension age has access to a range of possible social security benefits:

- *Newstart Allowance* for people who are not employed, are capable of working, and are available for and actively seeking work, or who are temporarily incapacitated. Recipients must be willing to enter into an activity agreement if required, and may undertake training and voluntary work with approval.

- *Mature Age Allowance* for people who are aged 60 and over, but below age pension age, and who have no recent workforce experience. This is defined as not having worked more than 20 hours per week for a total of 13 weeks or more in the previous 12 months. This allowance has no activity test, in recognition of the disadvantages faced by older people in the labour market.

- *Widow Allowance* for women aged 50 or over who have been widowed, divorced or separated since turning 40 and have no recent workforce experience. This allowance has no activity test.

- *Partner Allowance* for people who have a partner or spouse on a qualifying pension or allowance (including Austudy and ABSTUDY), were born before 1 July 1955 and have no dependant children and no recent workforce experience. This allowance has no activity test.

- *Disability Support Pension* for people with longer term disabilities which prevent them from working full time for full award wages, or undertaking educational or vocational training which would equip the person for work within the next 2 years.

The basic rate of payment for these allowances is $325.70 per fortnight for a single person over 21 (a couple with no children each receives $293.80 per fortnight). Single people in receipt of Newstart Allowance for more than nine months who are 60 years of age or more receive a higher rate of $352.30 per fortnight. They also qualify for the pensioner concession card and the Pharmaceutical Allowance.

Recipients may also qualify for rent assistance if they are not paying rent to a government authority. Current maximum rates of rent assistance vary between $50.60 per fortnight for a single person with no children in shared accommodation to $100.00 per fortnight for a single or couple with three or more dependent children.

These allowances, but not the Disability Support Pension, are subject to a uniform income test which reduces the fortnightly allowance by 50 cents in the dollar for income between $60 and $140 per fortnight. The allowance is reduced by 70 cents for each dollar of private income above $140 per fortnight. People in receipt of a disability support or other pension face the same income test as aged pensioners. Thus, a single person over 21 with no children in receipt of a disability support pension is able to earn $100 per fortnight before they lose any pension. Income over this amount reduces their pension at a rate of 50 cents in the dollar.

Eligibility for these benefits is also subject to an assets test. The asset “free area” is $125,750 for single people with a home and $215,750 for single people who do not own a home. The combined “free area” for a couple is $181,500 if they have a home and $273,000 if they do not own a home. People with assets above these limits will not be eligible for any of the allowances discussed above. For pensioners their pension is reduced by $3 per fortnight for every $1000 in assets over this amount.

APPENDIX 3: SUPERANNUATION AND UNEMPLOYMENT

Individuals who become unemployed are less able to save for retirement because of the loss of employer and employee superannuation contributions, and the loss of disposable income to make discretionary savings.

If the duration of unemployment is longer than two years the "occupational link" may also prevent individuals from continuing to contribute to superannuation, as superannuation funds and RSA providers are generally prohibited from accepting superannuation contributions from persons who are neither employees nor self-employed individuals.[7]

Loss of employer contributions to superannuation due to unemployment may also result in the loss of low cost death and disability insurance which is a feature of some superannuation schemes.

Existing superannuation contributions in accumulation schemes generally continue to accumulate earnings during a period in which no further contributions are made due to unemployment. However, if only a relatively small balance is held, earnings may be insufficient to meet fund administration charges. The treatment of amounts held in defined benefit funds varies. In some cases benefits may be indexed to the consumer price index rather than attracting market related rates of return.

As discussed in the body of the submission preserved superannuation may be accessed, subject to certain limits, in circumstances of severe financial hardship or on compassionate grounds.

To be granted an early release of benefits on severe financial hardship grounds a member must:

- be in receipt of a Department of Family and Community Services (DFCS) or Department of Veterans' Affairs (DVA) pension or income support allowance and have been in receipt of that pension or allowance for at least the previous 26 weeks; and
- satisfy a subjective test of severe financial hardship that requires a fund trustee/RSA provider to be satisfied that they are unable to meet reasonable and immediate family living expenses.

Benefits may only be released on compassionate grounds in very limited circumstances. These are defined in regulations and cover expenses in respect of:

- medical treatment for the member or a dependant where the treatment is necessary to treat a life threatening illness or injury, or to alleviate acute or chronic pain or acute or chronic mental disturbance, and where such treatment is not readily available through the public health system;
- medical transport for the member or a dependant to access treatment necessary to treat a life threatening illness or injury, or to alleviate acute or chronic pain or acute or chronic mental disturbance; or
- modifications to the family home or vehicle to meet the special needs of a disabled member or a disabled dependant; or palliative care expenses for a member or a dependant; or associated with the death, funeral, or burial of a dependant.

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7 There are, however, some exceptions to this general rule, including for individuals who were gainfully employed for at least ten hours per week at any time in the last two years. The introduction of the rebate for superannuation contributions made on behalf of a low income spouse has also relaxed the occupational link somewhat.

In addition, it is possible to have an amount released to a member to prevent foreclosure by the mortgagee or the exercise of a power of sale over the member's principal place of residence.

If the above tests are satisfied, the fund trustee or RSA provider may release one lump sum payment in any twelve month period, of no more than $10,000 and no less than $1000, or the balance of a member's benefit if that is less than $1000.

An alternative test of severe financial hardship is available for members aged 55 years and over. Under this test, individuals may secure the release of their total benefit if they:

- are in receipt of a DFCS or DVA pension or income support allowance for a total cumulative period of 39 weeks or more after reaching age 55; and

- are not gainfully employed on a full-time or part-time basis on the date of application to their fund trustee or RSA provider.

It should be noted that payments under Austudy and the National Enterprise Incentive Scheme do not fall within the definition of a DFCS or DVA pension or income support allowance for the purpose of obtaining access to superannuation benefits.