

SUPERANNUATION AND INSURANCE PAYMENTS FOR PEOPLE WITH A TERMINAL ILLNESS

FACT SHEET

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This fact sheet was produced by Breast Cancer Network Australia

Early release of superannuation on the grounds of terminal illness

Under Australian law, people with a terminal illness and a life expectancy of less than two years are able to get early access to their lump sum benefits from their superannuation fund tax-free. In these circumstances, you do not need to have reached your superannuation preservation age, or the age of 65, to access your lump sum benefit.

However, you will be required to have two medical specialists involved in your care complete forms that specify your life expectancy.

BCNA understands that accessing superannuation early is a sensitive and complex decision for you and your family. Any decision to withdraw superannuation under the terminal illness provision must be done carefully as it could result in you losing insurance benefits that may be attached to your superannuation policy.

This fact sheet has been developed to ensure you have up to date and straight forward information to assist you to make the decision that's right for you and your family.

Things to consider

Impact on insurance

In July 2015, the Australian Government changed the legislation that allows people to access to their superannuation account balance under the terminal illness provision, extending the life expectancy requirement from one year to two years. The intention of this change was to make it easier for people with a terminal illness to access their funds earlier should they need to.

Timing can be everything

Although superannuation can now be accessed on the grounds of terminal illness within two years of one's life expectancy, the same time limit may not apply to insurance benefits attached to a superannuation policy.



At the moment, the majority of life insurance policies attached to superannuation accounts are only payable if a person's life expectancy is one year or less. This means that if a person withdraws all of their superannuation contributions (often called their account balance or preserved amount) on the basis of a two-year life expectancy, it could cause insurance policies connected to their superannuation to lapse.

To keep these policies active you will need to leave some money in your superannuation fund so your account does not close. Your insurance premiums will then continue to be deducted.

BCNA understands that some insurance companies are now starting to make policy changes to the definition of terminal illness so it aligns with the superannuation legislation changes. This means that a person will be able to apply for both their account balance and their insurance benefits at the same time on terminal illness grounds within two years rather than one.

While this is good news, it has not yet been adopted as standard practice across the superannuation industry, meaning many insurers are yet to make the change.



If you are considering withdrawing your entire account balance, it is important to obtain confirmation **in writing** from your superannuation fund that your decision will not affect any future entitlements you may have to your insurance benefits.

Types of insurance benefits that may be attached to superannuation policies

Your superannuation policy may include insurance disability benefits that can cover you if you are no longer able to work. These insurance benefits are often attached to your superannuation account as a default option, which means that you will be covered unless you chose to 'opt out' at some point. Many people are covered by automatic insurance attached to their superannuation account without being aware of it.

There are two types of disability benefits which you may be able to claim:

1. Total and Permanent Disability cover

Total and Permanent Disability cover (TPD) provides you with a lump sum insurance benefit if you are totally and permanently 'disabled'. Although definitions of TDP differ between insurers, the most common definition is that you cannot return to your usual job or any other job because of your injury or illness, taking into account your age, education and experience.

2. Total and Temporary Disability cover

Total and Temporary Disability cover (TTD) is where you are deemed temporarily unable to return to work and your disability is not likely to be permanent. TTD benefits can also be called Income Protection or Salary Continuance depending on your policy. Total and Temporary Disability benefits can provide you with a monthly payment for up to two years, and longer in some cases.

There is often a waiting period before these payments commence. This may be as long as three months, depending on your policy.

There may also be a requirement to provide your insurance company with ongoing confirmation that your circumstances have not changed. This can be a burden for both you and your specialist as it may mean that new forms need to be completed on a regular basis. It may be helpful to have a family member or friend coordinate the administration of these forms for you.

Making a claim under your superannuation policy for a TPD or TTD benefit could potentially allow you to obtain an insurance benefit earlier than applying for a terminal illness benefit, and may also mean that you can leave your superannuation account balance untouched. This gives you the option to apply for it at a later time if that better suits your financial needs.

There may be tax implications if you receive a TPD or TTD payment, so be sure to get advice from a financial advisor before you lodge a claim. For example, TTD payments are often classified as income and are taxed accordingly. There are no tax implications if you receive a terminal illness benefit.

Are there time limits on claiming TPD or TTD benefits?

Claims should be made as soon as possible. However, it may be possible to make a claim even many years after you have stopped working because of your illness. Your family may also be able to make a claim if you die before lodging a claim. Time limits in legal matters can be complicated, so if in doubt seek legal advice.

Death Benefits (Life insurance)

Death Benefit payments under superannuation insurance policies can often be accessed on terminal illness grounds. People often think Death Benefits are only claimable by the family once a person dies, but this is not always correct. Some Death Benefit policies attached to superannuation may be able to be claimed by people who are terminally ill at the time of the withdrawal of a superannuation account balance.

If your superannuation insurance fund does not allow the Death Benefit to be paid on terminal illness grounds and you decide to apply for the release of your superannuation account balance, it is important to ensure that doing so will not stop your family from being able to make a claim on your Death Benefit policy after your death.

Getting confirmation of cover

If you are unsure about what insurance is attached to your policy contact your superannuation fund and ask them to provide you with a Superannuation Benefit Statement for the period you stopped working or became ill. It is also worth having them confirm in writing if they say you do not have insurance cover.



It is often best to ask if you ever had insurance on your account rather than if you have it now. Sometimes insurance can lapse, but you may have had insurance at the date you stopped work or became ill. You may also like to consider obtaining financial or legal advice.

Financial advice

If you are unsure about what insurance is attached to your policy, you may like to consider getting independent financial advice before applying for the early release of your superannuation.

If you are being paid a Centrelink income support payment, you can find out how the lump sum benefit may affect your income support payment by contacting Centrelink's Financial Information Service on 13 23 00.

Cancer Council also has a Pro Bono Program which provides free legal, financial and workplace assistance to people affected by cancer who cannot afford to pay for advice. You can find out more about this service by calling 13 11 20.

How to apply for your lump sum superannuation

If you decide you would like to access your superannuation account balance and insurance benefit due to a terminal illness, you should contact your superannuation fund directly and discuss it with them. You will need to provide your fund with the required medical certificates (see below).

Your fund will send you out the forms for you to complete and will be able to advise you of any other paperwork you may need to complete.

Medical certificates

You will need to provide your superannuation fund with certificates from two registered medical practitioners. You can provide one certificate signed by both medical practitioners, or you can provide two separate certificates. One certificate must be from a specialist practising in the area related to your illness, e.g. a medical oncologist. Both doctors must certify that you have a terminal illness in accordance with the definition of terminal illness of your fund.

When submitting the paperwork for your application it is important that for each of the medical certificates provided, the two-year life expectancy certification period must not have ended.

Application processes can sometimes be complex and it can take time getting all the required paperwork together. It is important that you complete the required paperwork very carefully to avoid having forms returned to you to revise. You should also talk with your medical specialists as early as you can about your plans to lodge a claim and advise them of any forms they may be required to sign so that you can avoid any delays that may hold up your application.

If you see the medical oncology team through a public hospital clinic, you may find it helpful to have the breast care nurse or oncology social worker assist you to complete the forms.

Where to get advice if you are having trouble making a claim

Cancer Council's Pro Bono Program may be able to help you if you are having trouble making a claim (see financial advice section).

You can also contact BCNA on 1800 500 258. We may be able to connect you with a service that can provide some initial free advice.

Where to get advice if your claim is rejected or not paid in full

If you disagree with the decision your superannuation fund makes about your application you can lodge a complaint through your superannuation fund's internal complaints mechanism. You should also seek independent legal advice.

You can also contact the Superannuation Complaints Tribunal (SCT). The SCT is a free service that can determine a dispute although it cannot give legal advice. You can contact the SCT by phone on 1300 884 114 or visit their website on sct.gov.au.

You may also like to consider getting independent legal advice. While this can be a daunting process, initial advice may help you to determine if you have a case to pursue.



Coping with the emotional impact

BCNA has a **free** telephone counselling service for people with metastatic breast cancer and their family members. Our counsellors are highly experienced oncology social workers and may be able to assist you with the emotional impact of trying to apply for superannuation or insurance funds.

Call BCNA on 1800 500 258 or email beacon@bcna.org.au to make an appointment to speak with a counsellor. This program is available to people in all states and territories.

More information

The Australian Tax Office has more information on its [website](#) or you can call the ATO on 13 10 20.