Health & Finance INTEGRATED

Partial Withdrawal to Fund Legal Fees

General Advice Warning

This information is of a general nature only and does not take into account your objectives, financial situation or needs. Before acting on this information, consider whether it is appropriate for your circumstances. We recommend you obtain personal advice and read the relevant disclosure documents (including any Product Disclosure Statement and Target Market Determination) before making any decision about a financial product. This guide is issued by Health & Finance Integrated a Corporate Authorised Representative of Able Financial Services (ABN 27 646 319 164) AFSL 530596, Shop 6/23 Hassall Street, Parramatta N.S.W 2150.

Client Guide

If you've received or expect a Total & Permanent Disability (TPD) insurance payment into super, you may access part of your balance early under the permanent incapacity condition of release. A partial withdrawal can fund legal fees now while we plan the remainder for tax and benefits.

Why consider a partial withdrawal?

- Great for immediate cash to settle legal fees.
- Potential top up of your bank account without closing off longer-term options.
- The majority of your superannuation balance (including TPD) can remain invested and later structured with advice to minimise tax and increase benefits.
- Flexibility to draw more later or start an income stream (subject to fund rules).

What a partial withdrawal might affect

- **Family Tax Benefit & Child Support:** The taxable component of your lump sum is included in your taxable income, which flows through to Adjusted Taxable Income (ATI) used for Family Tax Benefit and Child Support assessments for the year you withdraw. For example, if you withdraw $10,000 and the fund calculates that $5,000 is taxable and $5,000 is tax free, then the $5,000 taxable is going to be used to calculate family tax benefits and Child Support. However, if you do not receive those payments, you may ignore this issue.
- **Centrelink (e.g., DSP, JobSeeker):** money you take out **and keep in your bank account** becomes your personal asset. Assets and deemed income may reduce payments. If you repay debt, then it won't be counted. Treatment varies by program, so we'll check the specific assets/deeming impacts for your situation.
- **Tax withholding:** The fund withholds tax on the taxable component using invalidity rules; your end-of-year tax return reconciles the true amount.
- **Defined benefit & untaxed schemes:** Some funds with untaxed elements or defined-benefit features can withhold more than ordinary funds. Ask us to check before you draw.
- **Workers' compensation (particularly in Victoria):** If your super lump sum relates to retirement or termination from the employment where you were injured, your weekly WorkCover payments can be

suspended for a period (broadly amount ÷ pre-injury average weekly earnings). Seek legal advice and our financial advice before drawing.

- **Rollover traps:** Moving to a new fund can change dates and access, and may require fresh medical evidence. Attempting to do this should be avoided without financial advice.
- **Income streams:** Converting your balance to an income stream has Centrelink, family tax, workers compensation, income protection implications and tax implications. However if done appropriately it could work very well. You should seek our financial advice.

Quick step

Use the free tool at www.tpdtaxcalculator.com.au to estimate your taxable vs tax-free components before deciding your withdrawal amount. You will need:

- Date of Birth
- Date of Disability (the fund has used)
- Your account balance including TPD or the amount you wish to withdraw
- Your eligible service date (also known as eligible service date)

FAQs

Can I do a partial withdrawal for legal fees?

Usually yes, once the fund accepts permanent incapacity. Many funds allow partial cashing while leaving the rest invested.

Will I pay tax?

Only on the taxable component. The fund withholds when it pays you; your tax return reconciles the final amount.

Will Centrelink count this as income?

Lump sums aren't salary, but assets and deeming rules may affect some payments. We'll check your specific situation.

What if I'm in a defined benefit or untaxed scheme?

There can be extra withholding or different caps. We'll review your fund before you act.

Can I change my mind later?

Yes. You can usually withdraw more later or start an income stream, subject to fund rules.

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