Media Release No: 33 **7th October 2009**

Don't 'Eat' Your Super

Australians who lost their jobs as a result of the Global Financial Crisis should not think of their superannuation as a source of funding to tap into, says Adelaide based financial strategist Theo Marinis.

"Under very specific circumstances, the Trustees of a super fund can release some of your retirement savings but this should be the absolute last gasp approach," Theo said.

"A far smarter strategy if you are laid off is to pay off as many 'killer debts,' such as credit cards and other high interest loans, with your redundancy cheque or by drawing down on your mortgage (this means you can cut the interest accruing from 18 per cent to eight.)

"I'd then suggest you make an appointment to speak to the bank manager as soon as possible. Ask the bank what they can do to help you and how you go about accessing such help.

"And don't be too proud to go along to Centrelink and ask them what they can do to help you during this difficult period. Hopefully it won't be too long before you have a job again and start contributing tax, so consider social security a bridge provided by society when a member is in difficulties.

"If you are over 55 the law will allow you to start drawing down your super. However, there are a number of tax (and Centrelink) issues which you need to consider very carefully. In addition, some super schemes will make life difficult for you if you move into the drawdown phase and then get another job – so make sure you see a competent financial adviser first.

"Remember, you do not HAVE to draw down your super to collect Centrelink benefits, unlike cash assets sitting outside of this structure. You may be entitled to Newstart Allowance and spend the years until retirement age looking for paid employment before you begin to draw on your super – during which time at an average seven per cent per annum return, and thanks to the benefits of compound interest, your nest egg should have doubled in value each decade.

"Superannuation has always been designed as a way of funding retirement, not a savings pool which can be tapped into during a crisis. My general advice is, as far as possible; to disregard it as a short term fix and look forward to its benefits when you are ready to retire permanently."

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