

25th March 2020

What does the Coronavirus safety net mean to me?

The markets continue to be volatile with significant falls and rises occurring in equity markets. Overnight, the US markets rallied significantly with a 10% increase which was a pleasant change from recent bouts of selling. Similarly, there remains some concerns over the liquidity of parts of the fixed income markets.

The severe level of uncertainty continues to drive the direction of the markets and this will continue until we see some clear signs of decreasing rates of infection or a medical solution. Additionally, we need to have a better understanding of the economic impact of the measures put in place to constrain the spread of the virus here in Australia and overseas.

The Australian and overseas governments recognise that the constraints on our lifestyle and shutting down of specific non-essential industries, will have a significant impact on their economies. It is a balancing act and each government is trying to work out the right level of constraint versus impact on the economy.

The longer the period of constraint, the more severe will be the impact on businesses and the employment level and therefore, the longer the recovery period. It is not an easy task and everyone will have an opinion. As a community, we need to comply and hopefully minimise the loss of life while managing the impact on the home and business front.

As mentioned in previous market updates, this pandemic crisis will end. Once the markets have a clearer view of the timing for getting the infection rates under control and the near-term economic impact, they will respond accordingly and continue their upward movement.

The Strategic Wealth Investment Committee is meeting regularly to monitor the situation and assess the appropriate time to reenter the equity markets with any surplus cash held. It is impossible to pick the bottoms of market downturns and hence the progressive investment of surplus funds under a dollar cost averaging methodology can be useful when the outlook is uncertain. Please call us if you would like to discuss this strategy further.

Governments have responded proactively to the expected decrease in economic activity and increase in the unemployment levels with significant stimulus packages. In Australia, two packages have been announced aimed at supporting small businesses and the people whose jobs have been either lost or work hours reduced. Please [click here](#) for details of the support to be provided to the latter group.

The Australian government also announced some temporary changes to the superannuation regulations to support people through this difficult period. These include a 50% reduction to the level of pension payments required to be taken in this and the next financial year. Additionally, people whose employment has been adversely impacted can access up to \$10,000 in this and next financial year (the first three months). Details of these announcements and the conditions attached are contained in the attached document.

Many clients who have cash reserves outside of superannuation, may wish to take advantage of the reduced pension payment initiative. If so, please contact us and we will work with the relevant parties to make the adjustments.

Please note, the superannuation funds' administration services will be stretched as they deal with these two initiatives and therefore it may take some time to process the reduction request. However, we have some workarounds that we can use to achieve the desired outcome.

These are difficult and worrying times for everyone, however we are well placed to help you through the crisis and look forward to the day when we can safely return to our normal business and lifestyle habits.

Take care and stay well.

Kind regards,

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On Sunday 22 March 2020, the government announced its second stimulus package, or safety net designed to support the hundreds of thousands, if not millions of Australians that will be directly affected by the coronavirus pandemic. The package included significant measures for individuals and for businesses. This article considers the measures to be available to households and individuals once the necessary legislation is enacted.

1. Coronavirus supplement

The supplement of \$550 per fortnight is to be paid for a period of six months and will be paid to existing and new recipients of income support benefits including:

- Jobseeker Payment (former Newstart Allowance, Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension)
- Youth Allowance Jobseeker
- Partner Payment
- Farm Household Allowance
- Special Benefit recipients.

Those eligible for any of these income support benefits will receive the full supplement.

The full rate of Jobseeker Payment is currently \$565.70 per fortnight for a single person (no with dependants) and \$510.80 per fortnight for a recipient that has a partner. The addition of the coronavirus supplement will effectively double the fortnightly benefit for a period of six months.

2. Expanded access

Jobseeker Payments and Youth Allowance Jobseeker will be available to permanent employees stood down by their employer of who lose their job. In addition, sole traders, the self-employed and contract workers who are affected by the economic downturn attributed to the Coronavirus will be eligible.

The assets test for Jobseeker Payment, Youth Allowance and Parenting Payment will be waived for the duration of the Coronavirus supplement, however the income test will continue to apply.

The usual one week waiting period for benefits has been waived. In addition, the Liquid Asset Waiting Period and the Seasonal Work Preclusion Period will be waived for people eligible to receive the Coronavirus supplement.

The Newly Arrived Residents Waiting Period is to be temporarily waived.

Income Maintenance Periods and Compensation Preclusion Periods will continue to apply.

3. Processing applications

The mechanism for processing applications is to be streamlined to facilitate the faster processing and allowing eligible recipients to receive benefits. This is expected to occur from April 2020. Applicants are encouraged to make their application for benefits online.

To claim online, you do need to set up your myGov account if you have not already done so, and link your account to the Centrelink online account.

4. Mutual obligation

Generally, to be eligible for the Jobseeker Payment an applicant must actively look for work, build their skills (undertake training) or, in some cases, do volunteer work.

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As a consequence of the Coronavirus, these requirements will be relaxed, particularly for those required to self-isolate or who have caring responsibilities. However, job seekers are expected to remain job ready and connected with their employment services provider.

Sole traders who are eligible for a Jobseeker Payment will be treated as having met their mutual obligation requirements by continuing to develop and sustain their business.

The Coronavirus Supplement and expanded access for payments will commence from 27 April 2020.

5. Payment support for households

On 12 March 2020 the government announced it would be making a one-off payment of \$750 to a wide range of social security, veteran and other income support recipients. This includes age pensioners, disability support pensioners, recipients of Jobseeker Payments, and many more.

Pensioner Concession Cards holders and self-funded retirees that have a Commonwealth Seniors Health Card will also be entitled.

The payment is to be made from 31 March 2020.

A second payment of \$750 was announced on 22 March 2020. This will be made from 13 July 2020 however it will not be available to people receiving the Coronavirus supplement.

The payment will not be taxable.

6. Early access to superannuation

For those who are unemployed, eligible to receive a Jobseeker Payment, or (after 1 January 2020) were made redundant, had their working hours reduced by 20 per cent or more, or were a sole trader that has suffered a reduction in turnover of 20% or more, will be able to up to \$10,000 of their superannuation in the 2019/20 financial year, and a further \$10,000 in 2020/21.

Superannuation benefits withdrawn under these circumstances will be exempt from tax and will not be counted under the income test for Centrelink and Veterans' Affairs payments.

Application for release can be made to the Australian Taxation Office through the myGov website.

This should be available from mid-April 2020.

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7. Reduced superannuation pension drawdown requirements

The minimum prescribed income that must be withdrawn from an account based pension is to be halved for the 2019/20 and 2020/21 financial years. The following table sets out the new minimums:

Age	Default Minimum	Minimum for 2019/20 & 2020/21
< 65	4%	2%
65 - 74	5%	2.5%
75 - 79	6%	3%
80 - 84	7%	3.5%
85 - 89	9%	4.5%
90 - 94	11%	5.5%
95+	14%	7%

8. Further cut in deeming rates

The deeming rates for social security benefits have been further reduced.

From 1 May 2020, the deeming rates will be:

Single	First \$51,800	0.25%
	Over \$51,800	2.25%
Couple	First \$86,200	0.25%
	Over \$86,200	2.25%

General Advice Warning

This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial and tax/or legal advice prior to acting on this information.