

Age Pensions



Hywood Partners

Age Pensions

Once a person has reached ‘age pension’ age they may be entitled to receive a pension from either Centrelink or Department of Veterans Affairs (DVA).

The first conditions that need to be met are those of residency, essentially you have to be an Australian resident (and living in Australia) the day you lodge your claim or eligible to claim an Australian age pension under an international agreement.

The amount a person receives as an age pension is determined using both Income and Assets Tests. The test which provides the lowest figure is what a pensioner will be entitled too.

Assets Test

The total value of a person (or couple's) assets are considered when applying the Assets Test however some assets are not assessable. Some examples of excluded assets are:

- Your principal residence (including up to 2 hectares of surrounding land)
- Some superannuation pensions and annuities
- Aged Care accommodation payments
- Funeral bonds up to \$12,250
- Pre-paid funerals

The value of the person's assets is then compared to certain thresholds to determine their entitlement under the assets test.

Currently (as at 1 July 2016) these thresholds are:

Status	Full pension threshold	No pension threshold
Homeowner		
Single	\$209,000	\$791,750
Couple combined	\$296,500	\$1,175,000
Non-Homeowner		
Single	\$360,500	\$943,250
Couple combined	\$448,000	\$1,326,500

To try and explain, if a couple who own their home have assets under the \$296,500 threshold they will receive the full age pension (under the assets test). However, should a couple have assets above the \$1,175,000 they will not be entitled to any age pension.

Many clients fall within these thresholds; their entitlement is determined by a formula reducing the fortnightly pension by \$1.50 for every \$1,000 of assets above the full pension threshold.

Income Test

The income test takes the total amount of income you earn each fortnight and then assesses this amount against thresholds as set out below:

Status	Full Pension Threshold	No Pension Threshold
Single	\$164 per fortnight	\$1,911.80 per fortnight
Couple combined	\$292 per fortnight	\$2,926.80 per fortnight

Again to explain, if a couple has combined income (as calculated by Centrelink) of under \$288 per fortnight, i.e. \$7,592 per annum, they will be entitled to a full age pension (under the Income Test). By comparison a couple with income above \$2,926.80 per fortnight, i.e. \$76,096.80 per annum, will not be entitled to an age pension by way of the Income Test.

An important concept in regard to the Income Test is that of 'deeming'. Centrelink assess the income received from financial investments, including term deposits, shares and managed funds under one set of rules known as 'deeming'. For the purposes of calculating your fortnightly income, Centrelink deems your financial investments to be earning a certain rate of income, regardless of the actual rate the investment is returning. The current deeming rates are:

Status	Deemed earning rate	
		1.75% per annum
Single	First \$49,200 of deemed assets	All remaining deemed assets
Couple combined	First \$81,600 of deemed assets	All remaining deemed assets

Maximising a person's Age Pension entitlement can greatly improve their retirement lifestyle. Obtaining quality financial advice may enable you to structure your assets (or income) in such a way so as to increase the benefits received from Centrelink or DVA.

Work hard. Play hard. Plan hard.

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Disclaimer:

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