

# Government support in retirement

## Centrelink in plain English

### What is the Age Pension?

The purpose of the Age Pension is to provide a basic level of income in retirement. It is a fortnightly payment made by the government to help you meet the cost of living, if your retirement savings are below a certain level.

To be eligible for the Age Pension, you must have reached a certain age. If you satisfy the age criteria, your current level of wealth is then assessed to determine whether you can receive a payment.

You are also assessed based on whether:

- you are single or a member of a couple, and
- you own your own home.



If you are eligible for the Age Pension, you will receive a fortnightly payment up to the maximum pension.

Current payment rates are as follows:

| Age pension   | Current rates<br>(per fortnight) <sup>1</sup> |
|---------------|---|
| Single person | \$888.30                                      |
| Couple (each) | \$669.60                                      |

<sup>1</sup> Payment rates include the pension and energy supplements. All payment rates and thresholds are current as at 20 March 2017.

## When can you apply for the Age Pension?

The qualifying age<sup>#</sup> depends on when you were born, as set out in the table below.

| Date of birth            | Eligible from <sup>#</sup> |
|--------------------------|----------------------------|
| Before 1 July 1952       | 65 years                   |
| 1 Jul 1952 – 31 Dec 1953 | 65.5 years                 |
| 1 Jan 1954 – 30 Jun 1955 | 66 years                   |
| 1 Jul 1955 – 31 Dec 1956 | 66.5 years                 |
| On or after 1 Jan 1957   | 67 years                   |

<sup>#</sup> The qualifying age for Department of Veterans' Affairs pensioners (men and women) may differ to those shown above.

## How are you assessed?

Once you reach the qualifying age, your current financial situation (your assets and your income) is assessed to determine your eligibility. In assessing your eligibility to receive a payment, both an asset and an income test are used. Both tests are applied to your circumstances, and the test that results in the lowest payment is used.

## The assets test

If the value of your assets is below the minimum threshold, you qualify for a full pension. If your assets are above the top threshold, you will not receive a payment. If the value of your assets falls between these two thresholds, you will receive a part pension.

|        | Home owner                     |                 | Non-home owner                 |                 |
|--------|--------------------------------|-----------------|--------------------------------|-----------------|
|        | Full pension<br>(assets below) | Pension cut-out | Full pension<br>(assets below) | Pension cut-out |
| Single | \$253,750                      | \$550,000       | \$456,750                      | \$753,000       |
| Couple | \$380,500                      | \$827,000       | \$583,500                      | \$1,030,000     |

If you qualify for a part pension, the maximum rate of pension is reduced by \$3.00 per fortnight for every \$1,000 of assets over the minimum threshold (this is known as the 'taper rate').

## Gifting assets

To prevent people from giving money and assets away to their family, friends or charities for the sole purpose of increasing their Centrelink benefits, special gifting rules apply. In one financial year, you can give away assets up to the value of \$10,000 without affecting your Centrelink payment. You can only give away a total of \$30,000 over a rolling five year period.

Any amounts that you gift above these limits are treated as an assessable asset and included in the assets test. Income that would have been earned from the asset will also be assessed under the deeming rules. The asset and income values calculated remain in force for five years.

The gifting rules do not apply if you sell an asset and receive equal consideration in return.

## The income test

The income test works in a similar way to the assets test. Your income must be below a certain threshold to receive a full pension, or between two thresholds to receive a part pension.

For every dollar that your income is above the full pension level, your Age Pension will be reduced by 50 cents as a single, or 25 cents each as a member of a couple. If you are a member of a couple, your income is combined with your partner's to determine your eligibility. Your income under the income test is not measured simply on the amount of income you receive. Special rules apply, depending on how the income is derived.

|                              | Full pension<br>(income below) | Pension<br>cut-out              |
|------------------------------|--------------------------------|---------------------------------|
| <b>Single</b>                | \$168.00 pf<br>\$4,368.00 pa   | \$1,944.60 pf<br>\$50,559.60 pa |
| <b>Couple<br/>(combined)</b> | \$300.00 pf<br>\$7,800.00 pa   | \$2,978.40 pf<br>\$77,438.40 pa |

pf - per fortnight    pa - per annum

## What are deeming rates?

To help Centrelink gain a complete picture of your income from all sources, your financial investments are generally assessed under a single set of rules. This is known as deeming. Rather than use the actual income you receive, Centrelink uses an assumed rate of income and applies this to all of your financial investments.

| Centrelink status       | Treatment   |
|-------------------------|---|
| <b>Single person</b>    | First \$50,200 is deemed to earn 1.75% income pa. The remaining balance is deemed to earn 3.25% income pa           |
| <b>Pensioner couple</b> | First \$83,400 combined is deemed to earn 1.75% income pa. The remaining balance is deemed to earn 3.25% income pa. |

## Special treatment of superannuation savings

To encourage you to save for your retirement, Centrelink treats your superannuation savings differently to your other financial assets. Until you reach Age Pension age, your superannuation savings are not counted when determining how much money you will receive from Centrelink.

Once you reach Age Pension age, the account balance of your superannuation savings is counted under the assets test and is subject to the deeming rules for the income test regardless of whether the money remains in accumulation phase or is used to commence an income stream. (Different rules may apply to account based income streams commenced prior to 1 January 2015 and to annuities).

## What is the Work Bonus?

To encourage people eligible for the Age Pension to continue to work, the Government introduced the Work Bonus. It applies to all pensioners who are over Age Pension age and being assessed under the rules that apply to those qualifying for age pension since 2009. The bonus allows concessional treatment of your employment income when you are being assessed under the income test for the Age Pension.

## Putting it all together

Centrelink uses a set of tests, including the income test and the assets test, to assess your wealth and make sure that you receive the right amount of money from the government in the form of the Age Pension. Other rules, such as deeming rates and the Work Bonus, may impact your pension payments.

We can help you navigate the rules that Centrelink uses to calculate your financial situation, and structure a financial strategy that will provide the right amount of income to maintain your lifestyle into retirement.

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