

Key Dates/Issues for Retirees – Federal Budget 2014/15

From 1 July 2014, all CSHC holders will lose the usual discounts associated with having a CSHC – travel, electricity, phone and council rates. This wasn't highlighted in the budget, but indirectly comes about due to the Federal Government terminating its agreement with the States, saving \$1.3 billion.

This measure is unavoidable and will cost most card holders \$1,000 - \$2,000 pa in lost discounts (specifics yet to be determined).

From 20 September 2014, the Seniors Supplement will cease for holders of the CSHC. This measure will cost couples about \$1,320 pa (\$876.20 for singles).

Note: CSHC holders will still receive the Clean Energy Supplement and access to the Pharmaceutical Benefits Scheme (and the lower threshold for the extended Medicare Threshold).

From 20 September 2014, the qualifying income limits for the CSHC will be indexed, based on the CPI.

From 1 January 2015, tax free superannuation income will be included in the definition of income for the CSHC. The assessment of superannuation income will be the same for CSHC holders as for the Age Pension and will align with the measure to deem the balances of account-based pensions from 1 January 2015.

Note: Existing superannuation account based income streams held by CSHC holders before the implementation date will be grandfathered under the existing rules.

Implications for clients...

1. Those eligible for the CSHC who have an account-based pension in place before 1 January 2015 continue to have the income exempt from assessment.
2. If a client is considering moving products, caution should be exercised to ensure that the grandfathering of an account-based pension is not lost where this will impact eligibility for the CSHC. This logic of course also applies to Age Pension clients.

From 1 July 2017, eligibility thresholds for pension and pension related payments (Age Pension, Carer Payment, Disability Support Pension, Veterans' Service Pension) will be maintained for three years.

From 1 September 2017, the indexation of Pension payments and Bereavement Allowance will be based upon the CPI, instead of AWE.

Implications for clients...

1. This new measure could result in a lower amount of indexation for payments.

From 20 September 2017, the deeming thresholds will reduce to \$30,000 for singles and \$50,000 for couples. The current thresholds are \$46,600 (singles) and \$77,400 (couples).

Implications for clients...

1. This new measure could result in a higher amount of Centrelink assessable income, hence a lower amount of Centrelink payments.
2. The announcement refers to the pension income test. Clarification needs to be sought to determine if this measure applies to all income test assessments or if it is restricted to the income test for pensioners.