

Age Pension: 300,000+ Australians will lose entitlements from January 2017

Changes to the Age Pension assets test are now law, and will take effect from 1 January 2017.

Continue reading to discover the new thresholds, and to find out how the stricter Age Pension assets test will affect you.

More than 300,000 Age Pensioners will have their Age Pension entitlements cut, with just under 100,000 of those affected Australians losing all Age Pension entitlements, taking immediate effect from 1 January 2017.

As a couple, if you currently receive the Age Pension, and you own more than \$823,000 in assets including super and all other assets (but excluding your home), then you will no longer receive the Age Pension from 1 January 2017.

For those Age Pensioner home-owning couples who own less than \$823,000 in assets, but more than \$450,000 in assets, then expect your Age Pension entitlements to also be hit. You can find more details on the specifics, including tables, later in the article.

As a single person, if you currently receive the Age Pension, and you own more than \$547,000 in assets including super and all other assets (but excluding your home), then you will lose your Age Pension entitlements from 1 January 2017.

For those Age Pensioner home-owning single people who own less than \$547,000 in assets but more than \$290,000 in assets, then expect your Age Pension entitlements to also be hit. More specific information, including tables, appears later in the article.

Note: Higher assets test thresholds apply for Age Pensioners who don't own their own home (for more information, see tables at the end of the article).



How does the harsher Age Pension assets test work?

The stricter Age Pension assets test will operate as follows: The taper rate for the assets test, which determines how much Age Pension you receive, will reduce your Age Pension entitlement by \$3 a fortnight for every \$1000 of assets you own over the full Age Pension threshold, taking effect from 1 January 2017. Currently, the taper rate is \$1.50 per \$1000 of assets over the full Age Pension threshold. I explain how this will affect Age Pensioners later in the article.

No Age Pension, but eligible for CSHC: According to the revised Explanatory Memorandum accompanying the legislation introducing the Age Pension assets test changes, "Those whose pension is cancelled will automatically be issued with a Commonwealth Seniors Health Card, or a Health Care Card for those under pension age, without the need to meet the usual income requirements.

Veterans whose service pension is cancelled under this measure will retain their Veterans' Affairs Gold Card." The federal government legislation does not deal with state-based concessions, such as rate and utility discounts. You will need to check with your council and service providers, since these concessions are provided by the states.

Warning: The harsher assets test also applies to other social security pensions, including disability support pension, wife pension, carer payment, bereavement allowance, widow B pension and certain pensions administered by the Department of Veterans' Affairs. According to the revised Explanatory Memorandum accompanying the legislation, the assets test also applies to parenting payment and allowances (widow allowance, youth allowance, austudy payment, newstart allowance, sickness allowance, special benefit and partner allowance).

Change to Age Pension income test for retired public servants, and other retirees receiving defined benefit pensions

The federal government also announced changes to the Age Pension income test for those Australians (retired public servants and retired employees of some large companies) who receive defined benefit superannuation pensions. Taking effect from 1 January 2016, this measure affects 35% of retired public servants, and an unknown number of retirees receiving defined benefit pensions from company super funds.

Some good news! More full Age Pensioners from January 2017

On the upside, according to the government, an additional 50,000 lucky Australians will receive the FULL Age Pension (rather than their current PART Age Pension entitlement) due to an increase in the assets-test free area threshold, effective from January 2017.

If your assets are below the assets-test free area threshold, you then receive the FULL Age Pension.

From 1 January 2017, the assets-test free threshold will increase from \$205,500 for a single person (home-owner) to \$250,000, and for a home-owning couple, increase from \$291,500 to \$375,000. For non-homeowners, the threshold increases from \$354,500 to \$450,000 for a single person, and increases from \$440,500 to \$575,000 for a couple who don't own their own home. See Table below.

The expansion of the lower threshold means 50,000 more Australians will be entitled to a FULL Age Pension, who currently receive a PART Age Pension, and the government estimates that increasing the threshold for FULL Age Pension entitlement will benefit 170,000 retired Australians.

The assets-test free threshold is the measure for the FULL Age Pension, that is, when your assets, excluding the family home, are worth less than the threshold. You are then entitled to the FULL Age Pension, assuming you also meet the Age Pension income test.

The Age Pension assets-test free area...

	Homeowner		Non-homeowner	
	Until June 2016*	January 2017	Until June 2016*	January 2017
Single	\$205,500	\$250,000	\$354,500	\$450,000
Couple	\$291,500	\$375,000	\$440,500	\$575,000

*Indexed again from 1 July 2016.

Source: Revised explanatory memorandum, Social Services Legislation Amendment (Fair and Sustainable Pensions) Act 2015

Summary: Age Pension assets test changes from 2017...

More than 300,000 retired Australians will lose some or all Age Pension entitlements overnight from 1 January 2017, while around 50,000 retired Australians will become eligible overnight for a FULL Age Pension from 1 January 2017 (when before 1 January 2017 they were receiving a PART Age Pension). The Age Pension assets changes are:

Harsher taper rate for PART Age Pension entitlements: The taper rate for the assets test, which determines how much Age Pension you receive, will reduce your Age Pension entitlement by \$3 a fortnight for every \$1000 of assets you own over the full Age Pension threshold, taking effect from 1 January 2017.

Currently, the taper rate is \$1.50 per \$1000 of assets over the full Age Pension threshold. In effect, the PART Age Pension threshold will be cut by around \$328,000 on current threshold levels for home-owning couples and cut by around \$228,000 for single home-owners, which is why just over 300,000 retirees will be lose entitlements, either partially, or fully.

Higher threshold for FULL Age Pension: From 1 January 2017, the assets-test free threshold will increase from \$202,000 for a single person who is a homeowner to \$250,000, and for a home-owning

couple, increase from \$286,500 to \$375,000. The expansion of the lower threshold means 50,000 more Australians will be entitled to a FULL Age Pension, who currently receive a PART Age Pension,

and the government estimates that increasing the threshold for FULL Age Pension entitlement will benefit 170,000 retired Australians.

The assets-test free threshold is the measure for the FULL Age Pension, that is, when your assets, excluding the family home, are worth less than the threshold. You are then entitled to the FULL Age Pension, assuming you also meet the Age Pension income test.

How do the Age Pension rules work?

The **Age Pension assets test** (also known as the **Centrelink** assets test) is a means test that assesses the value of the assets you own against asset thresholds, and determines your eligibility for the Age Pension and other social security payments.

An eligible individual must satisfy the Age Pension income test, and the Age Pension assets test to receive a FULL, or PART, Age Pension.

The amount of Age Pension will be based on the test that delivers the lowest amount of Age Pension entitlement. If an individual fails one of the tests, then he or she will not be eligible for the Age Pension.

Retirement 'Check-Up'

If you're not sure whether these changes will impact on you (or another family member), please don't hesitate to call us for a quick 'retirement check-up'.

Rick Maggi