YourLifeChoices
Simplifying retirement

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Retirement Update 2016

The Age Pension explained

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The seven worst retirement mistakes

AGE PENSION INCOME TESTS PAYMENT RATES WORK AND THE PENSION CONCESSION CARDS AUSTRALIAN PENSIONS OVERSEAS FINANCIAL ASSISTANCE ENTITLEMENTS CENTRELINK BUDGETS ASSETS

Retirement income, the Age Pension… and avoiding the seven worst mistakes

Understanding the best way to organise your income in retirement can be confusing and disheartening. The rules associated with superannuation and the Age Pension are complex and change frequently.

So **YourLifeChoices** is here to help with this short step-by-step guide to retirement income and the Age Pension.

First of all, though, we address the seven most common mistakes retirees make. It's hardly rocket science, but these simple mis-steps can often have a major impact on your financial situation. Make sure you are not committing any.

And then you can move forward into planning or reviewing your retirement by asking:

- How much will I need for a comfortable retirement?
- Do I need to save extra money for when I retire?
- Who do I consult for financial advice so I can invest my savings for the best return?
- Will I receive a full or part-pension?

Working out where you stand financially is the next step in planning your retirement. When you are thinking about your financial future, you need to consider your individual circumstances carefully in order to accurately plan ahead to fund the lifestyle which you wish to have when you retire.

You can, at any time, make an appointment to speak to a Centrelink Financial Information Services Officer (FISO) who will be able to discuss with you whether your assets and income will affect payment of the Age Pension, how to claim and which concession cards may be available. So read on to learn more about your options.

This PDF contains links to **YourLifeChoices** website for those who are reading it online. If you are reading a print version, simply visit www.yourlifechoices.com.au for further information. ■

Seven worst retirement mistakes

A successful retirement is more about knowing what *not* to do, so here are the seven planning mistakes that it will pay you to avoid.

1. Underestimating years in retirement

No plan can be successful if you have no idea of the duration it needs to cover. Assuming a retirement age of 65, you can expect to spend on average 19 years in retirement if you're a man, and 22 years if you're female.

During these years, you may have to spend more on health care than you expected, and government income support rules may change, which means that you'll have less income than expected. Or you may simply find it difficult to adjust your lifestyle to match your limited or fixed income.

2. Not sticking to a budget

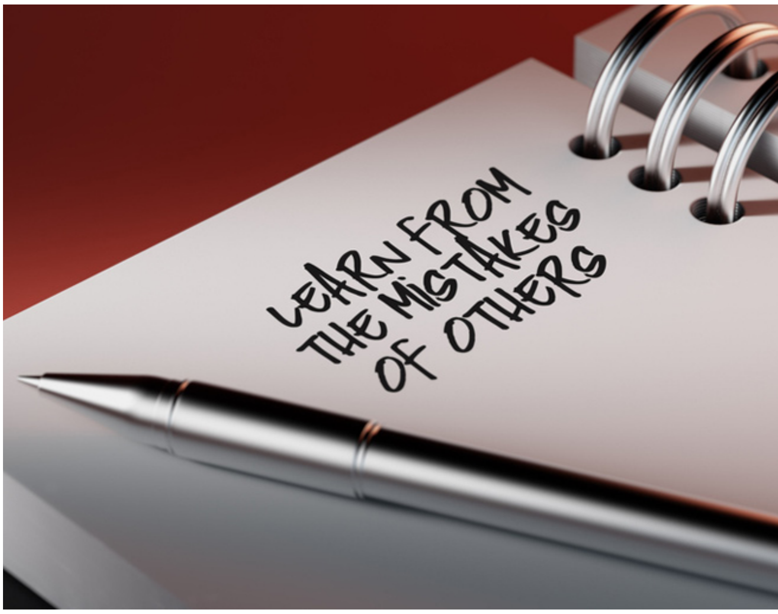
The secret to a happy (retirement) life is simple: good health and low debt. So learning to live within a fixed-income budget will enable you to enjoy your later years. This lesson is a hard one – so why not cut back your expenses *before* you leave work? Try cutting up the credit cards and living on 60 per cent of your current salary as a test to see the adjustments you will need to make. Financial counsellors are available to help you get serious if years of overspending are a difficult habit to break.

3. Assuming you've left it too late

It's never too late, nor do you ever have too little in your savings to consider getting financial planning advice. Planning professionals will be able to advise the best course of action to make the most of what you have, in the time available. This may include salary sacrificing into super, starting a transition-to-retirement strategy, or reducing your debt quickly. It's important, however, to work with a financial planner who actually *does* put your interests first, as the law requires.

4. Putting all your eggs in one basket

Diversifying your investments, not only in regards to type but also timeframes for maturity, will give you the best opportunity to see the highest possible returns, and on a more regular basis. It's necessary to set yourself short- and long-term goals to help ensure you have money available to you for the duration of your retirement.



5. Not researching the investment or potential risk

As with any major purchase, it is prudent to shop around and consider the features and benefits of the investment to ensure it suits your needs and objectives. It's also important to consider the risk factors that can potentially affect this investment to avoid any future nasty surprises. Determine your risk profile and diversify across various assets and asset classes as necessary.

6. Missing changes to Age Pension thresholds

Having been rejected once, and with their circumstances remaining unchanged, many people do not think to reapply for an Age Pension. However, indexation of asset and income thresholds, changes to deeming rates, and the changes to thresholds for the Commonwealth Seniors Health Card, may mean that you become eligible to receive some form of concession or payment from Centrelink. Make sure you check out your eligibility at least annually.

7. Not having enough money at hand

Investing for the long term is important and can help you achieve your lifestyle requirements later in life. However, restrictions, penalties and/or delays may apply when withdrawing funds from some fixed or long-term investments under certain circumstances. Hold enough funds at hand to ensure you can cover everyday expenses and unexpected emergencies. ■

Will you get an Age Pension?

Not everyone will qualify for an Age Pension, but the majority of Australians will. Here's how to know where you stand.

The Age Pension, introduced nationally in 1908, provides a safety net for those unable to successfully fund their lives after full-time work. As such, this means that not everyone will qualify to receive an Australian Age Pension. Some will be self-funded, some will received a part-pension, others will need the full amount.

Your eligibility is based on both assessment of your income and an assessment of your assets and there are age and residential requirements which also need to be met.

Currently the eligibility age for the Age Pension is 65 years. From 2017 the eligibility age for the Age Pension will gradually start to increase to 67 for both men and women, by 2023.

There are strict requirements regarding residency for those wishing to claim the Age Pension. To qualify you must be an Australian resident and reside in Australia on the day that you lodge your claim. You also need to meet the 10-year qualifying Australian residence requirements, meaning you have to have been an Australian resident for a continuous period of at least 10 years, or for a number of periods which total more than 10 years, with one of the periods being at least five years – unless you are claiming under an International Social Security Agreement.

Born between	Women eligible at age	Men eligible at age
1 Jan 1949 and 30 June 1952	65	65
1 July 1952 and 31 Dec 1953	65.5	65.5
1 Jan 1954 and 30 June 1955	66	66
1 July 1955 and 31 Dec 1956	66.5	66.5
After 1 January 1957	67	67

Disability Support Pension

Some Australians who are no longer able to work may be eligible to claim a Disability Support Pension (DSP). The payment rates are the same as the Age Pension and it is also subject to an income and asset test. When a recipient of a DSP reaches Age Pension Age, they will receive a letter from the Department of Human Services asking if they wish to transfer to the Age Pension. Which payment is best depends on your individual circumstances and you should contact a Centrelink customer services officer to discuss the implications of changing. ■

Income and asset tests

Income and asset tests are both applied to those seeking an Age Pension.
The test that results in the lowest payment rate will apply.

The following income and asset thresholds apply from 20 September 2015:

Government income test limits for pensions

Situation	For full pension/allowance(per fortnight)	For part pensions (per fortnight)*
Single	up to $162	less than $1,896.00
Couple (combined)	up to $288	less than $2,902.00
Illness separated (couple combined)	up to $288	less than $3,756.00

Government income test limits for pensioners – transitional rules

Situation	For full pension/allowance (per fortnight)	For part pensions (per fortnight)*
Single	up to $162	less than $1,990.75
Couple (combined)	up to $288	less than $3,238.00
Illness separated (couple combined)	up to $288	less than $3,945.50

**Can be higher where a customer is renting or their income includes wages from employment excluded under the Work Bonus*

Government asset test limits for allowances and full pensions

Situation	Homeowners	Non-homeowners
Single	$205,500	$354,500
Couple (combined)	$291,500	$440,500
Illness separated (couple combined)	$291,500	$440,500
One partner eligible (combined assets)	$291,500	$440,500

Government asset test limits for part pensions

Situation	Homeowners	Non-homeowners
Single	$783,500	$932,500
Couple (combined)	$1,163,000	$1,312,000
Illness separated (couple combined)	$1,447,500	$1,596,500
One partner eligible (combined assets)	$1,163,000	$1,312,000

Government asset test limits for part pensions – transitional homeowner

Situation	Homeowners	Non-homeowners
Single	$693,250	$842,250
Couple (combined)	$1,078,500	$1,227,500
Illness separated (couple combined)	$1,267,000	$1,416,000
One partner eligible (combined assets)	$1,078,500	$1,227,500

Note: These tables are for guidance only and should be read in conjunction with Centrelink rules

Pension payment rates

How much does the Age Pension actually pay?

Maximum payment rates of Age Pension

Family situation	Pension rate per fortnight
Single	$788.40
Couple	$594.30 each or $1,188.60 combined
Couple separated due to ill health	$788.40

Note: These amounts do not include the Pension Supplement, a fortnightly payment made in addition to the base pension. The maximum rate of Pension Supplement for singles and for each member of a couple separated due to ill health is, at date of publication, $64.50 per fortnight, and for couples $97.20 per fortnight (combined).

Part Age Pension payment rates

If you exceed the income or asset limits, then you may be eligible to receive a part Age Pension. Exceeding the limits will reduce your payment rates as follows:

Income test limits

Your fortnightly Age Pension payment will reduce by 50 cents for each dollar you receive above the current income test limit until you reach the threshold (*see Page 5 for details*).

Asset test limits

Your fortnightly Age Pension payment will reduce by $1.50 for each $1000 you are above the asset test limit until you reach the threshold (*see Page 5 for details*).

Household Assistance Package

From 20 March 2013, the Government introduced the Clean Energy Supplement as part of the Household Assistance Package. This is now the Energy Supplement at a rate of $1410 per fortnight for those on a single Age Pension and $10.60 per fortnight for each eligible member of a couple.

For individuals who do not receive assistance through other household assistance payments or tax reforms, you may be able to claim the Low Income Supplement. This is a payment of $300 per annum and is available to claim through Centrelink. You must make a claim each year, as it is not paid automatically. You can find out more about eligibility for the Low Income Supplement from **YourLifeChoices**.

Also, if you have higher than average energy costs as you are running medical equipment, then you may be entitled to claim the annual Essential Medical Equipment Payment of $147. To find out how you can claim the Essential Medical Equipment Payment visit **YourLifeChoices**. ■

Working after Age Pension age

If you choose to work past Age Pension age, there are programs in place which could make this financially beneficial.

Work Bonus

The Work Bonus was introduced in 2009 to encourage those over Age Pension age to continue to work and to make it more financially beneficial for them to do so. It provides a concession for employment income for all workers who earn money after turning Age Pension age (currently reached when turning 65).

Any eligible age pensioner can earn up to $250 per fortnight without it being assessed as income under the pension income. This doubles for couples where both are working – both parties may have the first $250 of their own employment income not counted.

For those with irregular or seasonal income, unused portions of the Work Bonus can be banked up to a maximum of $6500 at any one time.

To be eligible for the Work Bonus, you must be over Age Pension age and receive one of the following:

- Age Pension
- Disability Support Pension
- Carer Payment
- Widow B Pension
- Bereavement Allowance
- Wife Pension

Pension Bonus Scheme

The Pension Bonus Scheme is now closed to new entrants.

Under the Pension Bonus Scheme, if you defer claiming the Age Pension and stay in the workforce you may be entitled to a tax free lump sum bonus when you eventually claim and receive Age Pension. Only one bonus is ever paid.

To be eligible for the Pension Bonus Scheme, you will:

- need to be eligible for the Age Pension,
- have not received an Age Pension or another income support payment (other than a carer payment) after qualifying for Age Pension,
- meet the work test rule, and
- have already registered for the scheme. ■

Concession cards

There are several different types of concession cards so it pays to know your entitlement.

The type of card you are given is determined by the Centrelink or DVA benefits which you are receiving. The likelihood of your having been issued with the wrong card is very slim. The concession cards which are available are as follows:

1. Pensioner Concession Card (PCC)

PCCs are issued by Centrelink to those receiving Age Pension, Disability Support Pension or Carer Payment. You may also be eligible for a PCC if you are over 60 years of age and have been receiving any of the following payments for at least nine months:

- Newstart Allowance
- Sickness Allowance
- Widow Allowance
- Special Benefit
- Partner Allowance

As the holder of a PCC, you are entitled to reduced-cost medicines under the Pharmaceutical Benefits Scheme (PBS) and various state and territory government concessions, such as reductions on property and water rates, energy bills, motor vehicle registration and public transport. State and territory governments and local councils offer different concessions.

2. Health Care Card (HCC)

If you do not qualify for a PCC, you may be entitled to an HCC if you are below Age Pension age and receive one of the following payments:

- Mobility Allowance
- Newstart Allowance
- Partner Allowance
- Special Benefit
- Widow Allowance

A HCC entitles you to the same pharmaceutical benefits as a PCC, but other concession may vary and you may be able to retain your HCC for a short time if you stop receiving your Centrelink payment due to commencement of paid employment.

3. Commonwealth Seniors Health Card (CSHC)

Self-funded retirees who are of Age Pension age, but do not qualify for the Age Pension, may be eligible for a CSHC if their annual adjusted taxable income is below the following thresholds:

- $52,273 (singles)
- $83,636 (couples combined)
- $104,546 (couples separated due to ill-health)

Holders of a CSHC are entitled to discounts on prescription medicines through the PBS. You may also qualify for additional health, household, transport, education and recreation concessions which may be offered by state or territory and local governments and private providers. Holders may also qualify for the Seniors Supplement.

Veterans

If your pension is issued by the Department of Veterans' Affairs (DVA) then you may be entitled to a PCC, CSHC or Repatriation Health Card. For further details, visit **YourLifeChoices**. ■

Australian pensions overseas

It is possible to get the Age Pension for the whole time you're overseas, whether you have left Australia on a temporary or permanent basis.

If you remain outside Australia for longer than 26 weeks, your pension will be reduced to a proportional rate based on your 'Australian working life residence'. This is the number of years you have resided in Australia since age 16 to Age Pension age. If you have lived in Australia for 35 years (420 months), then you are paid the full rate of Age Pension to which you are entitled. If, for example, you have only resided in Australia for 20 years, then you will be paid 241/ 420 if the Age Pension (20 x12 plus an extra month). If you leave Australia permanently, the rate of Pension Supplement you receive will reduce on departure or, if leaving on a temporary basis, it will be reduced six weeks after departure.

However, if you returned to reside in Australia within the last two years and were transferred to or granted an Age Pension within that time, your pension will be stopped when you go overseas.

Disability Support Pension (DSP)

If you have been granted a DSP or transferred to the DSP less than two years ago, then your pension will be stopped. You can be paid the Disability Support Pension (DSP) for four weeks while outside Australia. You may able to receive the DSP for longer if you:

- are terminally ill and are leaving to be with family, or
- have been assessed in Australia as having no future work capacity.

However, the rate you are paid may be reduced.

You may also continue to be paid a DSP for longer than four weeks if:

- you are studying outside Australia as part of a full-time Australian course, or
- you are severely disabled and dependent on, and living with, a person who has been temporarily transferred overseas by their Australian employer.

There are different rules which apply to other payments and these can be found on the website of the Department of Human Services. If the country to which you are moving has an International Social Security Agreement with Australia, then you may be able to receive your payments for longer and at a different rate. To obtain official information about payments paid while outside Australia, we recommend that you visit Humanservices.gov.au. ■

Financial assistance

Centrelink also offers financial assistance packages for those who need extra support from time to time.

Pension Loan Scheme

People of Age Pension age (or their partners) who cannot get a pension because of their income or assets (but not both), or those who only receive a part pension, can access capital tied up in their assets under the Pension Loans Scheme.

The Pension Loans Scheme is a voluntary arrangement which provides support in the form of a loan, for a short or indefinite period. It is paid in regular fortnightly instalments.

Find out more about the Pension Loan Scheme at **YourLifeChoices**.

Advance Payments

An Advance Payment is a lump sum payment of some of your future pension entitlement and you will be required to pay it back.

As a single aged pensioner, you can request one, two or three Advance Payments during a six-month period, as long as the total amount falls within the minimum and maximum amount.

As of 20 September 2015 these amounts are $409.15 and $1,227.45 respectively. (For each member of a couple the amounts are $308.40 and $925.20). This amount is then repaid from your following 13 fortnightly payments. Centrelink will only advance you an amount which it deems will not cause you financial hardship in making the repayments.

You can find out more about Advance Payments at **YourLifeChoices**.

Financial Information Services

Centrelink provides a Financial Information Service which enables you to discuss your finances, how to control your debt, which payments may be available to you and how to make informed financial decisions.

You can make an appointment to speak to a Financial Information Services Officer (FISO) at any time; you do not need to be a current Centrelink customer. To make an appointment, call 13 2300.

Defined benefit income stream update

On 1 January 2016, changes will take place to the way Centrelink assesses the income from defined benefit superannuation schemes.

Centrelink will cap the deductible amount, also known as the tax-free component, from such schemes to 10 per cent – the deductible amount is the amount that is not assessed as income.

For example, if you receive an income from a defined benefit scheme of $50,000 each year and the tax-free component is $7000, then your assessable income will be $43,000.

Under the new rules only an amount equivalent of 10 per cent of the annual income can be excluded from the income test. For example, 10 per cent of $50,000 is $5000, therefore your assessable income is $45,000.

You can find out more at Humanservices.gov.au. ■

***Disclaimer**: This material contains general information which has been prepared without taking into account your objectives, financial situation or needs. It has been prepared with due care but no guarantees are provided for the ongoing accuracy or relevance. Before making a decision based on this advice you should consider its appropriateness having regard to your own circumstances. You should seek professional advice from a financial planner, lawyer or tax agent in relation to any aspects that impact your financial and legal circumstances. Date prepared is January 2016.*

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