

YOUR SUPER AND THE AGE PENSION

Every little bit helps.

FACT SHEET 11

1 JULY 2020

Even if you have super, you may still qualify for at least a part Age Pension from the government.

Even though Australians have had compulsory super since 1992, many may qualify for, and may need to rely on, an Age Pension to some degree in retirement.

Eligibility for the Age Pension will depend on a person's date of birth. The Age Pension eligibility age for individuals is currently 66 years. Age Pension age will go up 6 months every 2 years until 1 July 2023. The table below shows the increasing Age Pension age depending on an individual's birth date.

Age Pension age for those born from 1 January 1954	
New Pension age	Affects people born
66	From 1 Jan 1954 to 30 June 1955
66.5	From 1 July 1955 to 31 Dec 1956
67	From 1 Jan 1957 onwards

Eligibility for the Age Pension

There are a number of eligibility criteria for the Age Pension. In addition to age and residency criteria, you need to satisfy:

1. an income test, and
2. an assets test.

The test that gives you the lower pension amount – which may be zero – is the one that applies.¹

The way the income and assets tests apply to super can be complex. It may be a good idea to seek advice from a financial planner before you retire. Take the time to talk to an NGS Financial Planner, who can help you with a range of topics, including retirement planning. Contact us using our [online enquiry form](#) at ngssuper.com.au/financial-planning or phone on **1300 133 177** to make an appointment.

You can also find more information by visiting the Australian Government Services Australia website servicessaustralia.gov.au. The Government's Money Smart website – moneysmart.gov.au also contains a range of retirement planning tools which you can use to get started.

The cost of retirement

The Association of Superannuation Funds of Australia Limited (ASFA) regularly benchmarks the cost of living for retirees.

The table below shows the estimates for the March 2020 quarter. These figures are for a comfortable (but not luxurious) retirement, assuming you are a homeowner aged around 65 and are relatively healthy.

	Single	Couple
Total per fortnight	\$1,699	\$2,401
Total per year	\$44,183	\$62,435

You can check what budget you will need in retirement with the ASFA Retirement Standard Calculator (on the Resources section of their website superannuation.asn.au).

¹ A different regime applies if you are permanently blind or eligible for a disability pension.

Income test

Limits for full and part pension (as at 1 July 2020)

Family situation	For full pension (per fortnight)	For part pension ² (per fortnight)
Single	Up to \$178*	Less than \$2,066.60
Couple (combined)	Up to \$316*	Less than \$3,163.20
Couples separated by illness (couple combined)	Up to \$316*	Less than \$4,093.20

* The pension will reduce by 50 cents for each \$1 of income over this amount.

As seen in the table above, you can generally earn a small amount of income and still qualify for the full Age Pension. You may still qualify for a part Age Pension, even if you earn more.

For the purpose of the government Age Pension income test, account-based income streams will be assessed in one of two ways depending on whether you:

- were in receipt of a Centrelink entitlement as at 1 January 2015 and have been in continuous receipt of the entitlement since this date; and
- had and continue to have an income stream that commenced prior to 1 January 2015.

If yes: your income stream will continue to be assessed under the return of purchase price rules.

If no: Deeming applies a set earning rate to your financial assets, regardless of what you actually earn. A lower deemed rate is applied on your financial investments up to a certain threshold, depending on whether you are assessed as a single person or as part of couple by Centrelink. A higher deemed rate is applied on any financial assets held above this amount.

Deemed rate from 1 May 2020	Percentage (%)
Lower deemed rate	0.25%
Higher deemed rate	2.25%

For details of the dollar value thresholds please refer to servicesaustralia.gov.au

The **return of purchase price rule** means your assessable income for your income stream will be your gross annual payment reduced by a deductible amount. This deductible amount is calculated by dividing the balance of your account-based income stream at commencement by your life expectancy at that time.

Work Bonus

Did you know, if you are receiving the Age Pension you may be able to earn some income without it affecting your pension payment?

The Work Bonus is a government incentive program to continue to work, even after you have started to receive the Age Pension.

You can earn up to \$300 per fortnight from work, including self-employment income from active participation (but not including investment income), without it being counted towards the Age Pension income test (therefore, allowing you to earn up to \$474 per fortnight and still receive the full Age Pension). If you are a member of a couple and you are both receiving the Age Pension, you will each be entitled to deduct the \$300 per fortnight from your employment earnings for Age Pension income test purposes.

If you earn less than \$300 per fortnight, the unused balance adds up and can be used to offset any higher earnings in the future. For example, if you earn \$200 in a fortnight, your Work Bonus balance will increase by \$100 (the unused portion). The total amount your Work Bonus balance can reach is \$7,800. If you don't work during a fortnight, Services Australia will still add \$300 to your Work Bonus balance until your balance reaches \$7,800. You will be able to offset this balance later if you do work. So, it's important to advise **Services Australia** of any change in your work income.

To be eligible, you must:

- be of Age Pension age
- receive a pension (excluding the Parenting Payment single)
- receive income from:
 - work, or
 - self-employment (from active participation).

You can't get the Work Bonus if you get the transitional rate of pension (for details on transitional rate of pension refer to: servicesaustralia.gov.au/individuals/topics/transitional-rate-pension/29296)

If you are in receipt of the Age Pension, you don't need to apply for the Work Bonus as it will be applied automatically for you. However, you are required to advise Services Australia of how much income you earn.

For more information go to servicesaustralia.gov.au/individuals/services/centrelink/work-bonus

² Your Age Pension cut-off point will be higher if you get the Work Bonus.

Assets test

Limits for full and part pension (as at 1 July 2020)

Family situation	Lower limit for full pension		Upper limit for part pension	
	Homeowners	Non-homeowners	Homeowners	Non-homeowners
Single	\$268,000	\$482,500	\$583,000	\$797,500
Couple (combined)	\$401,500	\$616,000	\$876,500	\$1,091,000
Illness separated (couple combined)	\$401,500	\$616,000	\$1,031,500	\$1,246,000
One partner eligible (couple combined)	\$401,500	\$616,000	\$876,500	\$1,091,000

The government expects that retirees who hold assets outside their super will liquidate some of those assets to support themselves in retirement (for example, by selling a property or shares). Accordingly, there is an assets test for the Age Pension as well.

There are different assets tests for homeowners and those who don't own a home, with extra allowable amounts for retirement village and granny flat residents.

Individuals who hold assets that are valued higher than the lower limit amounts shown in the assets test table, reduce the Age Pension by \$3 per fortnight for every \$1,000 above that amount (single and couple combined).

The asset test limits are updated in January, March, July and September each year.

Under the assets test, the total value of your superannuation is combined with the total value of your other assets, such as jewellery, cars, boats and shares, to arrive at a total asset value. There are rules about reducing your assets by giving them away. Any assets you 'gift' that exceed \$10,000 per financial year, limited to \$30,000 over a rolling 5 year period will still count towards the assets test.

Any lump-sum super you have will be counted as an asset, including the balance of any account-based pensions such as your NGS *Income account*. Some older types of income products, like annuities or term allocated pensions may not be fully assessed as assets. For further information please refer to the Australian Government Services Australia website servicessaustralia.gov.au or discuss with a financial planner.

To find out current details on the Payment Rates for the Age Pension, please visit servicessaustralia.gov.au/individuals/services/centrelink/age-pension/how-much-you-can-get

Pension payment rates

Full pension (as at 20 March 2020)

	Payment per fortnight	Annual payment
Single	\$944.30	\$24,552
Couples (each)	\$711.80	\$18,507
Couples (combined)	\$1,423.60	\$37,014

As at 20 March 2020 and includes Pension Supplement and Clean Energy Supplement. To find out more details on the payment rates for the Age Pension, please visit servicessaustralia.gov.au

Preparing for retirement

Preparing for retirement can be a worrying time so getting all the information will help you feel in control. Speaking with a financial planner can be one of the best ways to get your super organised before you retire. Our website has a range of easily accessible information about the *Income account* we offer, including articles, fact sheets, calculators and more.

An NGS *Income account* is tax effective as all investment earnings are tax free.

Investment earnings in the *Transition to Retirement account* are taxed at 15%. Additionally, if you are age 60 or over, your *Income account* payments are also tax free. We also offer free financial seminars where you can come along and get some great ideas about managing your money in retirement amongst other things. For seminar dates or to make a booking, visit our website ngssuper.com.au/seminars

Pension Loans Scheme

The scheme allows you to access a loan from the Australian government.

To qualify you must meet all of the following:

- you qualify for or receive an eligible payment
- you own real estate in Australia with enough equity to secure the loan
- you have adequate insurance covering the secured real estate
- you're not bankrupt or subject to a personal insolvency agreement
- you or your partner are Age Pension age or older.

Recent changes to the Pension Loans Scheme will impact new and existing participants with more people being able to access it. The amount you can get per fortnight has recently increased to 150% of the maximum fortnightly pension rate.

Further details on the scheme can be found at servicessaustralia.gov.au

We recommend you seek independent financial or legal advice before making any decisions about the Pension Loans Scheme.

We offer low-cost tailored advice through NGS Financial Planning. To make an appointment phone us on **1300 133 177** or complete the [Financial planning enquiry form](#) on our website at ngssuper.com.au/financial-planning

Confused by concession cards?

There are three key types of concession cards available to seniors:

- **The Pensioner Concession Card**, which you are entitled to **if you receive a full or part Age Pension**. In addition to reduced costs for healthcare, this entitles you to a range of discounts which vary depending on the State or Territory in which you live. Generally, you pay less for property and water rates, utility bills and public transport, which is why this is considered a valuable card and why some people try to organise their affairs so they are eligible for the Age Pension, even if they only receive as little as a dollar a week.
- **The Commonwealth Seniors Health Card** provides a discount on prescription medication and health-related services **for those who are of pension age but do not qualify for the Age Pension**. Your state or territory government and local council may offer you further benefits.

Eligibility for this card is means tested. You must have an annual adjusted taxable income of less than \$55,808 (singles), \$89,290 (couples combined), or \$111,616 (couples combined who are separated due to ill health). The income test limit will increase for each dependent child you care for.

The Centrelink deeming rates, as mentioned previously, are used to determine the level of income to be counted for any account based income stream that:

1. commenced from 1 January 2015; or
2. is owned by someone granted a Commonwealth Seniors Health Card on or after 1 January 2015, and
3. the balance of your partner's account based income stream will be included if he/she is aged 60 or more.

Read more about the Commonwealth Seniors Health Card at servicesaustralia.gov.au

- **The Seniors Card** entitles older Australians to a range of benefits provided by commercial and retail businesses. The card is not means tested, and is free of charge. Eligibility criteria and benefits vary slightly across Australia, but you are generally eligible once you turn 60 if you have retired or are working limited hours.

Read more about the Seniors Card at australia.gov.au

Due to changes to the pension assets test on 1 January 2017, individuals who had the Age Pension cancelled may now be in receipt of a Commonwealth Seniors Health Card that is not income tested.

More information?

Contact us

You can contact us at ngssuper.com.au/contact-us or call us on **1300 133 177** between 8.00am and 8.00pm (AEST or AEDT), Monday to Friday.

Phone number for callers outside Australia **+61 3 8687 1818**

Fax: **(03) 9245 5827**

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If you are retired or nearing retirement, consider obtaining professional advice to understand how the Age Pension may be relevant to your personal situation.

We offer low-cost tailored advice through NGS Financial Planning.

To make an appointment phone us on **1300 133 177** or complete the **Financial planning enquiry form** on our website at ngssuper.com.au/financial-planning

Important information

You should consider all the information contained in the **Product Disclosure Statement** dated 1 April 2020 and incorporated fact sheets before making a decision about investing in NGS Super.

The information provided in this fact sheet is general information only and does not take into account your objectives, financial situation or needs. Before making a financial decision, please assess the appropriateness of the information to your individual circumstances and consider seeking professional advice.

NGS Financial Planning Pty Ltd, ABN 89 134 620 518, is a corporate authorised representative #394909 of Guideway Financial Services Pty Ltd, ABN 46 156 498 538, AFSL #420367 and offers financial planning services on behalf of NGS Super ABN 73 549 180 515.

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