

# The Four things you MUST know about the age pension changes from 1st January 2017



John Walker

# Preface

If you or someone you know receives at least a part Age Pension, then beware the asset test changes from January 2017. Now is the time you must review and if appropriate, rearrange your financial affairs.

This e-book will point out the proposed changes, as well as the good and bad news they will bring. You could be adversely affected. It will also address some immediate strategies you could take now. Remember, if you retain just one dollar of Age Pension, there are benefits that you can enjoy from the government and local councils that can reduce your overall living costs.

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For the past 28 years I have dedicated my RetireInvest Financial Planning Practice to one goal: that *“no retiree should ever have to worry about their money”*.

My accreditation as a Certified Financial Planner™ or CFP®, together with my extensive experience, means that I am an expert in my field. In particular I am a specialist for those from the age of 55 onwards.

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# The Four Things



1. **What are the changes?**
2. **What could you lose?**
3. **The twelve most common strategies to consider**
4. **Get an expert coach**

# How the Centrelink Assets Test is changing

The changes are a mixture of good and bad news. Some people will be better off, others worse and some who now have a small part pension, may lose it for many years to come.

**First, the good news** is that the lower threshold under which you can get a full Age Pension is going up. For example, a single person who owns their own home will see their current lower threshold rise from \$209,000 to \$250,000 after January 1 2017. So, potentially, more people of modest means may enjoy a full Age Pension of over \$22,000 a year.

Assets can be non-financial like household contents, cars and boats, as well as financial assets like money in the bank, in your super, managed investments, shares and so on.

**Now the bad news**. For every thousand dollars over the new minimum threshold, you will lose \$3 dollars of your fortnightly pension, compared to the current \$1.50. This looks relatively harmless, until you realise that to receive just one dollar of pension, your assets must now be less than approx. \$547,000, compared to the current cut-off of \$791,750 for a single person.

For couples, the maximum amount falls from \$1.175 million to approx. \$823,000. Quite a drop we would suggest.



# What could I lose immediately and possibly over the long term?

You and I are no different from a business on the corner. In order to stay in business, your income must exceed your expenses.

The five important issues you need to keep in mind are:

1. Your income from the Age Pension is likely to drop, and you may need to tighten your belt and take budgeting more seriously.
2. If you lose the Age Pension, the many benefits from the current pension card will be lost as you transition to the Commonwealth Seniors Health Care Card. Hence, your living costs may rise.
3. If you're one of those people who wants to leave a legacy to the kids or a favourite charity, you may find that having to rely more on your own resources may cut into what's left over.
4. Should you lose your Age Pension and then regain it in years to come, any account based pension you may currently have, that is entitled to a Centrelink deduction under the income test, will become subject to deeming under the income test.
5. In later years, should your health fail, you may need to enter an Aged Care Residence. An unfavourable income test could well flow through to an unfavourable means tested daily care fee.





# Twelve common strategies

Here is a list of possible things to do. One, or a combination may work for you, but be sure to check with a qualified financial planner before acting.

Twelve common strategies to consider:

1. Gift up to \$10,000 per tax year for up to 3 years subject to a \$30,000 limit in a rolling five-year period.
2. Place \$12,500 into a Funeral Bond.
3. Some people are buying more expensive homes to live in.
4. Renovate your current home or upgrade appliances.
5. Take out a Centrelink friendly annuity.
6. Superannuation contributions for a younger spouse.
7. Take out an insurance policy when you're younger and earmark it as the legacy you want to leave behind rather than putting a lump sum of money aside.
8. Use Wills and beneficiary nominations to redirect assets
9. Use a "*defined benefit income stream*"
10. Bring forward the claim for the Age pension and the Pension Bonus Scheme.
11. Lump sum accommodation payments for Aged Care residents.
12. Review your bucket list – in years to come, what might you regret not doing.



# Should I get an expert coach?

Have you ever felt as if you are too close to a situation to see it clearly?

Wouldn't it be nice if we could learn from other people's mistakes and successes?

## The 3 important reasons for “*Getting a Coach*”:

1. You cut down your chances of making mistakes which you might never recover from.
2. Your coach can bring other people's experiences to your situation, providing you with a way to look into options for your future, creating a greater feeling of certainty and definitely less stress.
3. Coaches can help you clarify your goals, whatever the state of your (financial) health or the economy.



*Coaches can teach you two things:  
**Confidence and Technique***

- Didier Drogba



# Contact Us



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