

Claiming government benefits

Chances are, by now you know how you are going to handle your superannuation throughout retirement. What you may not know is that, even if you do have super, assets and savings, you may be eligible for government benefits. **Jessica Goulburn** spoke to the experts about how to maximise them.

The main benefit available to retirees is the Age Pension – the taxpayer funded retirement income stream for those who cannot fully support themselves financially. In order to be eligible for the Age Pension, certain criteria must be satisfied, including:

- An age test. Eligibility kicks in at 65 for males and for females it currently sits between 64.5 and 65. From 2017, the age will increase to 65.5 and will continue to increase by six months every two years so that by 2023, it will be 67.
- An income and assets test.
- Residence requirements, which include being an Australian resident and being in Australia when an application is lodged. There is also the 10-year qualifying condition, which requires being a resident for a continuous period of 10 years or for a number of periods totalling 10 years, one being at least five years.

The Age Pension rate depends on whether you are single or have a partner, and is determined by assessing income and assets. This includes superannuation.

“The Age Pension is means tested to ensure it goes to those most in need,” explains Pauline

Vamos, CEO of The Association of Superannuation Funds of Australia. “The government will look at your income and assets, which includes your superannuation balance, to determine your eligibility and how much you’ll receive.”

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The primary home where you live, prepaid funeral expenses and any accommodation bonds are not included in the assets calculation. The income and assets limits vary according to whether you own a home, you are single or part of a couple, or claiming a full or part pension.

Centrelink conducts both an assets and an income test to determine the rate of payment. The assets test compares your assessable assets to the assets test threshold. The income test determines whether your income

is within the allowable income amount. The test that results in the lower rate will determine your overall pension qualification.

The final amount of Age Pension paid includes a pharmaceutical allowance, utilities allowance, GST supplement and a telephone allowance. It is reviewed and adjusted according to circumstantial change and is adjusted twice a year with increases in the cost of living.

What about super?

Benefits such as the Age Pension are designed as a ‘safety net’ for individuals who do not have enough superannuation or financial resources to provide adequately for retired life. While superannuation may impact your eligibility for Age Pension, most people will continue to be eligible for a full or part-pension, supplemented by the superannuation benefits.

You can access your super when you reach preservation age (55 for most people) and retire, when you turn 65, or under the ‘transition to retirement’ rules.

‘Transition to retirement’ means that once you have reached preservation age, you will be able to reduce your working hours and use your superannuation to top up your

regular income. This allows you to gradually reduce your working hours to move into retirement.

Once you decide to retire and use your superannuation to provide an income, you can choose to withdraw the amount as a lump sum or you can take your super as a pension – a regular income payment.

AustralianSuper recommends most people choose a pension to access superannuation. “Superannuation can often be structured in a manner that can maximise your entitlement to Centrelink, even after retirement,” says AustralianSuper’s head of Advice Frank Ceravolo. This will depend on your overall assets.

No matter which way you choose to take your super, it’s important to save. “Having a proper budget in place can generally help to extend your pool of savings,” Pauline Vamos explains. “And applying for even a part-Age Pension if you’re eligible will reduce the drain on your super.”

Your superannuation regular payments, together with the Government Age Pension can make a significant difference to your weekly income in retirement, securing your financial future. ••



↑ Government benefits such as the Age Pension can supplement superannuation savings, and even those with super may be eligible.

OTHER BENEFITS

Asset Hardship Provisions may be available if you have significant assets but cannot use them in times of extreme financial hardship.

Pension Loans Scheme allows people of age pension age who receive a part-pension or cannot receive a pension at all due to income or assets, to access capital tied up in property assets.

Carer Payments provide income support if you are unable to support yourself due to the demands of a carer role.

Commonwealth Seniors Health Card provides access to Australian Government concessions if you’re not eligible for the Age Pension. Concessions include the Pharmaceutical Benefits Scheme, bulk-billed GP appointments and the Medicare Safety Net. This is accompanied by a senior’s supplement, a non-taxable payment to assist with regular household bills.

Rent Assistance may be available to those paying rent and receiving a payment or sharing the care of a child.

WORK BONUS

WHAT IS IT?

The Work Bonus is an incentive for those receiving a pension to participate in the workforce.

HOW DOES IT WORK?

The first \$250 earned every fortnight is not counted towards your income assessment. If the Work Bonus is not used because you do not work or you earn less than \$250 in a fortnight, the amount is accumulated in the Employment Income Concession Bank for you to use next time. Your ‘piggy bank’ has a \$6500 limit and carries forward between years, offsetting any other employment.

EARN MORE THAN \$250 A FORTNIGHT?

Your initial fortnightly deduction of \$250 will be used. Any other amount that you have accumulated in your ‘piggy bank’ will then be used to reduce your assessable income to \$0. If you do not have enough in your bank to reduce your fortnightly income to \$0, the normal income assessment test will be applied to the balance.

WHO IS ELIGIBLE?

Any pensioner, over Age Pension age is eligible for the Work Bonus.

HOW TO APPLY

You don’t need to apply for the Work Bonus, it will automatically be applied to you. However, you do need to inform Centrelink of any changes to your earnings.