

## SECURE AND SUSTAINABLE PENSIONS

### Increase to Pension Payments

The Government's Secure and Sustainable Pension Reform will provide age, wife and disability support pensioners, carer payment recipients and veteran income support recipients with two primary payments:

- A base fortnightly rate of pension; and
- A Pension Supplement that includes the value of the current GST pension supplement, Pharmaceutical Allowance, Utilities Allowance and Telephone Allowance into one payment.

From 20 September 2009, the new pension package will result in:

- An increase of \$32.49 per week for single pensioners on the full rate of pension. This is made up of a \$30 per week increase in the single basic pension rate and \$2.49 in the new Pension Supplement.
  - An increase of \$10.14 per week (combined) for couple pensioners on the full rate of pension. This reflects an increase in the new Pension Supplement only.

The new Pension Supplement will be indexed twice a year in line with CPI.

#### Comment:

*It is great that there has finally been an increase to Age Pensions. The pension reforms should make things a little easier for pensioners to understand as they will be dealing with two payments as opposed to a number of allowances.*

### Increase in Age Pension Age

The qualifying age for the Age Pension will gradually increase from 65 to 67 by 2023. The qualifying age for men and women will be increased by six months every two years, commencing 1 July 2017 and reaching 67 on 1 July 2023. Only new entrants to the pension system from 1 July 2017 will be affected. The qualifying age for the Veterans' Service Pension will remain at 60.

The table below highlights how the pension age will change:

| Date         | New Age Pension age   | Affects people born             | When group reaches new age pension age |
|--------------|-----------------------|---------------------------------|--|
| 01 July 2017 | 65 years and 6 months | 1 July 1952 to 31 December 1953 | 1 January 2018 to 30 June 2019         |
| 01 July 2019 | 66 years              | 1 January 1954 to 30 June 1955  | 1 January 2020 to 30 June 2021         |
| 01 July 2021 | 66 years and 6 months | 1 July 1955 to 31 December 1956 | 1 January 2022 to 30 June 2023         |
| 01 July 2023 | 67 years              | From 1 January 1957             | From 1 January 2024                    |

*Although this measure does not come into effect for some time, it must be taken into account when planning for the retirement. The oldest client affected by this reform will be aged 57 on 1 July 2009, whose age pension age will increase to 65.5. Everyone born after 1 January 1957 will have an Age Pension age of 67.*

### **Tighten the income test taper**

From 20 September, the income test taper will increase from 40 to 50 cents in the dollar for a single pensioner and from 20 to 25 cents for each member of a couple, for income above the relevant income free threshold. The threshold is currently \$138 per fortnight for single pensioners and \$240 per fortnight for pensioner couples (combined).

*This is back to where it was several years ago!*

The income test cut off threshold will reduce down from \$47,444 to \$38,693 for singles and from \$72,423 to \$59,228 for couples combined. Existing part pensioners affected by the income test will have a transitional safety net apply allowing them to keep existing entitlements, maintained in real terms, plus an increase of \$10.14 per week for singles or couples combined. They will continue to receive these existing entitlements, including the increase, until they are better off under the new pension rules.

### **New carer supplement**

The Government will introduce a new carer supplement which will be ongoing and non-taxable. The first payment will be made by 30 June 2009 with subsequent payments starting from 1 July 2010.

The new supplement will provide:

- \$600 per annum to all Carer Allowance recipients for each person being cared for; and
- \$600 per annum to all Carer Payment recipients.

Those who receive the Carer Allowance and Carer Payments will be eligible for both payments. The existing Child Disability Assistance Payment of \$1,000 per annum for carers who are paid Carer Allowance (child) will continue.

*Whilst these payments have been provided over recent years, there was no certainty they would continue. The introduction of a carer supplement means that recipients of these payments can now budget for them.*

### **Closure of Pension Bonus Scheme and new 'Work Bonus' for Age Pensioners**

The Government will close the Pension Bonus Scheme to new entrants from 20 September 2009. Existing members will continue to accrue entitlements under existing rules. To continue to encourage workforce participation among older Australians, the Government will establish a

new income test concession for employment income called a Work Bonus. Under the new Work Bonus, only 50% of the first \$500 per fortnight of employment income will count for income test purposes. This will enable up to \$250 of earnings to be excluded from means testing.

*The maximum amount of pension bonus currently payable is \$34,814.80 for singles and \$29,077.50 (each) for members of a couple. This is based on being eligible for the full Age Pension at time of claim and accruing 5 years bonus. It is important between now and 20 September to determine if you may benefit from this scheme. Under the new Work Bonus proposed, many clients may benefit more from the new Work Bonus income test. As a result of the changes, as a person's employment income increases, their pension will reduce at half the rate it otherwise would have.*

### **Commonwealth Seniors Card - Income Test**

It was announced as part of the 2008-2009 Federal Budget that gross tax-free superannuation lump sum and pension income was to be included in the adjusted taxable income test for the Commonwealth Seniors Health Care Card. **The Government has decided not to proceed with this measure.**

Income that is salary sacrificed to superannuation, however, will be included in the income assessment with effect from 1 July 2009 as announced in the 2008-2009 budget.

*This was a controversial proposal that met with a lot of opposition. It's great news for clients aged over 60 receiving income from an account based pension or annuity.*

Source: Challenger 2009-2010 Federal Budget Report, and Colonial First State First Tech Budget Briefing May 2009

