

understanding the newstart allowance

INTRODUCTION

Centrelink, formerly known as the Department of Social Security, is the Government agency that administers Australia's social security system. Centrelink assesses an individual's entitlement to a number of social security payments including the Newstart Allowance.

This payment is made to those who are unemployed and actively seeking work (that is they must satisfy an Activity Test). If a person is retired, irrespective of how old they are, they will not be entitled to a Newstart Allowance.

ACTIVITY TEST

Receipt of Newstart Allowance is subject to an activity test. In order to meet the activity test you must:

- Demonstrate that you are actively looking for suitable paid work and attend all job interviews.
- Accept suitable work offers and never leave a job, training course or program without an acceptable reason.
- Agree to attend approved training courses or programs.
- Enter into and carry out an activity agreement if asked.

You will not be eligible for the Newstart Allowance if you fail to satisfy the activity test. If you are already on Newstart Allowance, the activity test is an ongoing obligation that must be met in order to continue receiving payment. Failure to do so may result in your payments being suspended.

MEANS TESTING

Those eligible to apply for Newstart Allowance have their entitlement assessed against an Income Test and an Assets Test. These tests vary depending on marital and homeowner status and the test producing the lower entitlement is applied.

The current maximum allowance rate for singles is \$486.80 per fortnight while the maximum couple rate is \$439.40 per fortnight each. Higher rates may be available if you have children.

Under the Assets Test, once your assessable assets exceed the relevant threshold, your entitlement cuts out entirely. Two income tests are applied, a personal income test and a partner income test.

The personal income test applies to income generated by the Newstart allowance recipient, while the partner income test is applicable where the recipient has a partner. The recipient's entitlement to Newstart allowance is progressively reduced under the personal and partner income test as follows:

- Where the recipient's fortnightly income is between \$62 and \$250, their entitlement reduces by 50 cents for each dollar above \$62.
- Where the recipient's fortnightly income is above \$250, their entitlement reduces by a further 60 cents for each dollar above \$250.
- If the recipient's partner's fortnightly income exceeds the cut-off point, the recipient's payment reduces by a further 60 cents for each dollar that the partner's income exceeds \$825.67.

CASE STUDY

Jeremy is 43 years of age and unemployed, while Joyce works full time earning a fortnightly income of \$1025.67. Jeremy has an investment property valued at \$150,000 which is generating income of \$100 per fortnight. They are home owners and have no other assets.

- Jeremy and Joyce meet the assets test as their total assets are under the asset test threshold.
- Under the personal income test, Jeremy's income exceeds the lower threshold (\$62 pf) by \$38. This reduces Jeremy's Newstart entitlement by \$19 pf (\$38 x 0.50).
- Joyce's income exceeds the upper fortnightly threshold by \$200. Therefore, Jeremy's entitlement reduces by a further \$120 pf (\$200 x 0.60).

In total, Jeremy's Newstart entitlement will be reduced by \$139 pf (\$19 + \$120), so he will receive a Newstart allowance of approximately \$300.40 pf (\$439.40 - \$139).

Table 1: Income and Assets Test for the Newstart Allowance

Assets Test	SINGLE (NO CHILDREN)		COUPLE (COMBINED)	
	Homeowner	Non-Homeowner	Homeowner	Non-Homeowner
Threshold	\$186,750	\$321,750	\$265,000	\$400,000
Income Test				
Lower Threshold	Below \$1,612 pa	Below \$1,612 pa	Below \$3,224 pa	Below \$3,224 pa
Upper Threshold	Up to \$42,838 pa	Up to \$42,838 pa	Up to \$42,838 pa	Up to \$42,838 pa

Please note, the thresholds shown above will differ for some individuals. For example, different rates are applicable for those over 60.



This article by Frank Camilleri (above), National Technical Manager.

WHAT ARE CENTRELINK ASSESSABLE ASSETS?

Centrelink generally includes all assets at market value, including your motor vehicle, home contents, jewelry as well as any bank accounts and investments you may have. The main exemption from the Assets Test is the family home. Other asset exemptions may include:

- Money from the sale of your previous home (as long as you use it within 12 months to buy another home).
- A funeral plot or money paid in advance for funeral expense (up to \$11,250 per person).
- Investments in superannuation funds, retirement savings accounts and approved deposit funds held by people under Age Pension age.

Other property such as an investment property or holiday home are included whether or not they generate income. For example, a property used solely for holidays, and for which no income is generated is still assessed.

CASE STUDY

Continuing from the previous case study, Jeremy decides to sell his investment property and contribute the sale proceeds of \$150,000 to superannuation. Once in superannuation, these funds are exempt from Centrelink assessment, under both the assets test as well as the income test.

By reducing his non-superannuation assets, Jeremy's Newstart entitlement increases by \$19 to \$319.40 pf. His entitlement is now only affected by Joyce's fortnightly income.

WHAT IS CENTRELINK ASSESSABLE INCOME?

Centrelink assessable income can be quite different from the income your investments actually generate.

Centrelink classifies investments as either Financial or Non-Financial Investments for income testing purposes. Financial investments are deemed to earn a set rate of return regardless of what return they actually generate.

These 'deemed' rates are applied at the following rates to the collective value of financial investments:

- For a couple, the first \$74,400 of investments are deemed to earn 3% per annum with the balance above this amount deemed to earn 4.5% per annum.

- For a single person, the first \$44,600 is deemed to earn 3% per annum with the balance above this amount deemed to earn 4.5% per annum.

Financial Investments include managed funds, direct shares and bank accounts. Non-Financial Investments are assessed based on their actual income and include direct property and allocated pensions.

CASE STUDY

George is single and eligible to apply for the Newstart allowance. He owns the following assets:

Asset	Amount	Actual Income	Deemed Income
Shares	\$50,000	\$2,500 p.a.	\$2,031 p.a.
Bank Account	\$10,000	\$350 p.a.	
Investment Property	\$300,000	\$10,000 p.a.	\$10,000 p.a.
Total		\$12,850 p.a.	\$12,031 p.a.

While George's assets have generated income of \$12,850 in the current financial year, under the deeming rules, the amount assessed under the income test is \$12,031.



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