

Centrelink and DVA Service Pension

1 September 2019 (updated quarterly)

Once you have reached 'age pension' age and, provided you meet basic conditions of eligibility, you may be entitled to receive a pension from the Commonwealth Government to assist you in supporting yourself in retirement.

Basic conditions of eligibility

To be eligible for an age or service pension, you must meet some basic conditions as outlined below.

Residency conditions

These conditions include that:

- you are an Australian resident and in Australia on the day you lodge your claim, or
- you are eligible to claim an Australian age pension under an international social security agreement.

In addition, you must generally have been an Australian resident for a total of at least 10 years, of which at least five years occurred in one continuous period.

However, exemptions to this residency requirement do exist for widows, recipients of a Partner Allowance and some classes of refugees.

If you believe that you may qualify for a residency exemption, you should discuss your circumstances with your financial adviser.

'Age pension' age

If you meet the basic conditions of eligibility, you will be able to apply for an age pension once you reach age pension age. Your age pension age will differ depending upon whether or not you are a qualifying service veteran.

Qualifying service veterans

Department of Veterans Affairs members have a service pension age of 60 for both males and females (not planned to be indexed as with Centrelink pension age).

Other pensioners

Age pension age for non veterans is between 65 and 67 depending on your date of birth.

Date of birth between	Age eligible for age pension
1 July 1952 and 31 December 1953	65½
1 January 1954 and 30 June 1955	66
1 July 1955 and 31 December 1956	66½
From 1 January 1957	67

Rate of age pension

As at 1 July 2019, the maximum rate of age pension which you could be entitled to is:

Status	Pension per fortnight*
Single	\$933
Couple (combined)	\$1,407

* Includes pension supplements and the energy supplement

The actual amount of age pension that you will be entitled to will be based on the lowest results of two tests: the assets test and the income test.

Assets test

While the assets test determines the total value of assessable assets that you hold, not all assets that you own may be assessable.

Examples of assets which are non-assessable (ie excluded) from this test include:

- your principal residence and up to 2 hectares of surrounding land
- some types of superannuation pensions and annuities and super held in accumulation phase (if you are under age pension age)
- aged care refundable accommodation deposits
- funeral bonds purchased for no more than \$13,250
- burial plots and pre-paid funeral plan.

If you are a member of a couple, the combined value of your assessable assets is included in the assets test.

Your assessable assets are then compared against assets the test thresholds to determine your age pension entitlement.

The asset test thresholds that are applied will depend upon whether or not you own your own home.

Homeowner (effective 20 September 2019)

Status	Full pension threshold	No pension threshold
Single	\$263,250	\$574,500
Couple combined	\$394,500	\$863,500

Non-homeowner (effective 20 September 2019)

Status	Full pension threshold	No pension threshold
Single	\$473,750	\$785,500
Couple combined	\$605,000	\$1,074,000

Under the assets test:

- if the total value of your assessable assets is equal to or less than the 'full pension threshold', you will be entitled to receive the maximum rate of age pension
- if the total value of your assessable assets is equal to or greater than the 'no pension threshold', you will not receive any age pension
- if the total value of your assessable assets is between these thresholds, your age pension entitlement will be equal to the maximum rate of age pension, less \$3.00 for every \$1,000 of assets above the 'full pension threshold'.

Case study

Simon and Alice are home-owners with assessable assets of \$600,000. Under the assets test, their age pension entitlement would be calculated as:

$$\begin{aligned} &= \$1,407.00 - [(\$600,000 - \$394,500) \times \$3.00 \div \$1,000] \\ &= \$790.50 \text{ pf (combined)} \end{aligned}$$

Income test

Under the income test, the total amount of income that you earn from all sources each fortnight is added together and the result is used to calculate your age pension entitlement per fortnight.

Income exemptions generally only apply to other Government assistance and periodic gifts or payments that you may receive from immediate family members.

Status	Threshold	
	Full pension	No pension
Single	\$174 pf	\$2,040.80 pf
Couple (combined)	\$308 pf	\$3,122.00 pf

Under the income test:

- if the total value of your assessable income is equal to or less than the 'full pension threshold', you will be entitled to receive the maximum rate of age pension
- if the total value of your assessable income is more than or equal to the 'no pension threshold', you will not receive any age pension
- if the total value of your assessable income falls between these thresholds, your age pension

entitlement will be the maximum rate, less 50c for every \$1.00 that your total assessable income is above the 'full pension threshold'.

Case study (cont.)

Simon and Alice earn assessable income of \$800 per fortnight. Under the income test, their age pension entitlement would be calculated as:

$$= \$1,407.00 - [(\$800 - \$308) \times 50c]$$

$$= \$1,161.00 \text{ pf (combined)}$$

Deeming

For the purposes of the income test, the Government assumes that you will be earning a certain rate of return from financial assets that you may hold, regardless of the actual earning rate.

These assets are known as deemed assets and include:

- debentures, bonds and term deposits
- cash deposits and cash management trusts
- listed shares and managed funds
- superannuation and rollover funds, if you are age pension age
- account-based pensions purchased after 1 January 2015 (or for those account-based pensions purchased before 1 January 2015 where the individual was not in continuous receipt of an income support payment), and
- some types of income streams with a term of less than five years.

The total market value of your deemed assets are added together and an income is deemed to be earned at the following rates:

Status	Deemed earning rate	
	1% pa	3% pa
Single	First \$51,800 of deemed assets	All remaining deemed assets
Member of a couple (combined)	First \$86,200 of deemed assets	All remaining deemed assets

Age pension entitlement

Once your age pension entitlement has been calculated under both the assets and income tests, the actual amount of age pension to which you are entitled can be determined.

While your pension entitlement is calculated under the assets test and the income test, the test that produces the lower result will determine the amount of age pension you are entitled to receive.

Case study (cont.)

As Simon and Alice were entitled to an age pension of:

- \$790.50 pf under the assets test, and
- \$1,161.00 pf under the income test

their actual age pension payments will be \$790.50 pf (combined)

Increasing your age pension entitlement

There are strategies you can consider that may reduce the amount of your assessable assets or income so that your entitlement to the age pension increases.

You should contact your financial adviser to discuss whether any of these strategies are appropriate for your personal circumstances.