Keeping in Touch
your monthly update
financial services partners
December 2015

After being first announced in the 2015 Federal Budget, there are some changes to the age pension that will come into effect on 1 January 2017.

This could mean an increase or decrease in pension for some, while others could have their pension entitlement removed completely.

What are the changes?

From 1 January 2017, there will be increase to the assets test limit for retirees looking to receive the full Age Pension under the assets test.

This assets test limit is the value of assessable assets that a retiree can have, along with the family home, before their entitlement to a full Age Pension begins to reduce.

These changes will affect many retirees so it is best to understand the changes and if you will be impacted.

From 1 January 2017, the assets test limit for retired couples who own their home, looking to access the full Age Pension will rise from $291,500 to $375,000, while for singles, homeowners, it goes up from $205,500 to $250,000.

The rate at which the Age Pension reduces for every $1,000 over this assets tests limit, called the taper rate, will also increase from $1.50 to $3.00 per fortnight from 1 January 2017.

How will I be affected?

While the increase in the assets test limit means many retirees will be eligible for the full Age Pension, the higher taper rate means there will be some currently receiving a part pension that may no longer be eligible.

The impact these changes will have on you can be difficult to calculate, as it depends on your individual situation and how your assets are structured.

For instance, if your age pension is reduced, how hard would it be for you to replace this income from other sources?

Some good news for retirees is that the Government hasn't proposed any amendments to how the family home is assessed when calculating the age pension.

For those retirees over pension age that end up losing their pension entitlement completely due to these changes, they will automatically receive a Commonwealth Seniors Health Card that is exempt from the standard income test that normally applies to this card.

What are my options?

There is still time to talk to your financial adviser about changes you could possibly make to reduce the impact on you, prior to 1 January 2017.

However, the complexity involved in reviewing and restructuring your assets to minimise the impact of these changes means getting financial advice is something definitely worth considering.

With so many options to consider, depending on your financial situation, engaging a financial adviser will help you choose the best option for you to make up as much of any lost income as you can.

There are a range of strategies that could help you to reduce your assets in the most social security-friendly way, including:

- making super contributions for your spouse if they are under Age Pension age
- bringing forward some spending, such as home renovations
- gifting money within limits to your children or grandchildren
- buying an annuity that has a reducing assessable asset value.

As you can see, choosing the right strategy for you is not only difficult to work out, it can often be very difficult to reverse if you get it wrong.

You still have time before 1 January 2017 rolls around, so getting some good financial advice now will help you get your retirement income set before the deadline.

We can help...

Don't leave it to the last minute…it could be a very costly mistake!

We can show you how reviewing your financial situation, and making any necessary changes before 1 January 2017, could help make a big difference to your retirement income.

Contact our office today to make an appointment.

Financial Services Partners Pty Ltd
Level 23, 242 Pitt Street, Sydney, NSW 2000, Australia
ABN 15 089 512 587 AFSL 237590
T 1800 006 216 W www.fspadvice.com.au

financial services partners