Keeping in Touch
your monthly update
July 2014
financial services partners

Navigating the recent changes to Social Security

There were quite a few changes to Social Security in the May 2014 Federal Budget, many of them having an impact on pensioners and those nearing retirement if they are passed through Parliament.

Some of the main changes that were announced were:

An increase in the pension age The age at which retirees can access the age pension will gradually rise to 70 by the year 2035.

The pension age was already due to rise from 65 to 67 by 2017 as planned by the previous Government so this change takes things a step further, with everyone born after 30 June 1958 being affected.

There were, however, no changes to the super preservation age, meaning people who want to retire earlier can still access their super. The current preservation age is 55, but is increasing to age 60 over time.

They just need to be confident they have enough to last until they reach the pension age, keeping in mind that not everyone will be eligible."

Changes to pension indexation From September 2017, all Age, Disability Support and Carer pensions will now be indexed to inflation, rather than being linked to a share of average weekly wages.

These changes are designed to make the pension system more sustainable, given the increasing number of Australians each year now drawing a part or full pension.

While those on the pension now won't see any immediate impact it means that future increases to the pension will be much smaller than they have been in the past.

This reduces the real value of pensions over time, with those that have no other source of income being most affected by this change.

Compulsory fee for GP visits From 1 July 2015, everyone will need to pay a $7 patient contribution fee each time they visit the doctor. Part of this fee will go towards a new $20 billion future fund for medical research into areas like cancer and dementia.

There's no doubt that this will have a greater impact on older people and those with chronic diseases, given they need more regular check-ups.

However, for those with concession cards and children under 16, this contribution fee only applies to the first 10 visits each calendar year, which is good news.

A new prescription fee From 1 January 2015, for general patients there will be a $5 increase in prescription fee payable for all medicine that is subsidised by the Government's Pharmaceutical Benefits Scheme.

The aim of this new prescription fee is to slow down the rising cost of this scheme, which has grown by 80% in the last 10 years and now costs over $9 billion a year.

Again, older people will be more affected by this but the good news is that this fee increase is just 80 cents for all concession card holders.

Changes to pension deeming rates From 20 September 2017, there will be a change in how the Government deems the return from a pensioner's assets, for the purposes of the pension income test.

The new deeming thresholds for singles will move from $46,600 to $30,000" while for couples it goes from $77,400 to $50,000.

What this means is that more income will be deemed at the higher rate, which is currently 3.5 per cent, which will reduce how much of the Age Pension some pensioners are entitled to receive.

Planning is the key

The changes announced around Social Security in the recent Budget highlight that planning for your retirement over the long-term is now more important than ever.

The increasing number of Australians reaching pension age will continue to place a strain on the country's finances, which means you simply can't rely on the government to look after you in retirement.

With many of the changes involving movement in thresholds, income tests and deeming rates, it can be difficult to understand exactly what to do to reduce the impact of these changes.

A financial adviser can help you understand what this Budget means for you and suggest some strategies that can help you get the most of what you have in retirement.

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

To find out more, please contact us for an appointment.

If you enjoyed this article, feel free to share it.

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