

YOUR RETIREMENT INCOME OPTIONS:

INTRODUCING THE AGE PENSION



FinextraWealth



Your retirement income options: Introducing the Age Pension

The **Age Pension** is an important financial safety net for many older Australians. It's the most common type of pension you can receive from the Government. Around 65% of people in retirement rely on some form of Government pension or allowance as their main source of personal income¹.

Am I eligible?

If you have reached Age Pension age, you may be eligible for the Age Pension and other Government benefits in retirement. Your Age Pension age will depend on the year you were born. Since 1 July 2019, the minimum Age Pension age is 66 years, and we'll see a six-month increase in the Age Pension age every two years until July 2023.

If you meet the age requirements, you'll need to have been an Australian resident for at least 10 years. You'll also need to share information about your finances for Centrelink's income and assets tests.

¹ MoneySmart, 2019.

For couples, Centrelink will look at your combined income and assets. The test that results in the lowest pension rate is the one Centrelink will use to determine your entitlements.



Income test

The **Centrelink income test** generally includes any income you earn from any source, including from your assets in Australia and overseas, including super, shares, account-based pensions, term deposits or managed funds. When assessing income from some investment assets, Centrelink will apply a deemed rate of income. When it comes to earnings from employment or investment properties, Centrelink will generally assess the actual income you earn.



Asset test

The value of assets you own is also taken into account for your Age Pension claim. For the assets test, Centrelink will count any assets you own, in Australia and overseas. This includes any physical assets, such as a car or caravan, your savings and investments such as shares, investment properties, term deposits, superannuation, part of some annuities and account-based pensions. If you own a property and use it as your place of residence it is not assessable under the assets test.

To determine how much some of your assets are worth, Centrelink will look at the current market value. From that figure, Centrelink will deduct any debt you hold against each applicable asset.

How much will I get?

If you are eligible for the Age Pension, the amount you're paid depends on your income or assets. The maximum Age Pension payments you can receive (as at 20 March 2020) are:

	Fortnightly	Annual
Single	\$944.30	\$24,551.80
Couple	\$1423.60	\$37,013.60

Figures include Pension Supplement and Energy Supplement.

Even if you don't qualify for a full Age Pension, you may be entitled to a part Age Pension and/or access to other payments and benefits, such as the Commonwealth Seniors Health Card, Pensioner Concession Card, Pension Supplement and Rent Assistance. Visit the [Department of Human Services](#) website for more information about the Age Pension rules, eligibility and income and asset tests.



Your other retirement income options

The Age Pension is just one potential source of income in retirement. In the section below, we cover two ways you can use your super or savings to generate regular payments and enjoy additional financial security in retirement.

Account-based pensions

With an account-based pension you invest your super and receive regular income payments. You can choose how your money is invested, how much to receive as payments (subject to minimum requirements) and your own schedule for receiving payments.

You generally have the opportunity to invest in a range of market-linked assets including growth assets such as shares and also a range of defensive or guaranteed investments. You can generally make lump sum withdrawals at any time.

This means your super and income may be affected by falls in the value of assets in your account-based pension. This can make a difference to how long your super will last, and the income you can access to fund your retirement.

Lifetime annuities

Lifetime annuities provide a guaranteed income for your lifetime in return for a lump sum investment. They can be used as the foundation of your retirement plan. You can use some of the money from your super or savings to invest in a lifetime annuity and receive regular payments for life, regardless of how long you live or how share markets perform.

- Payments from lifetime annuities can be linked to yearly changes to inflation.
- Some will offer the flexibility to withdraw and be paid a lump sum if circumstances change within the withdrawal period.
- Some will provide known estate values via guaranteed death benefits.



Contact Finextra Wealth to discuss your retirement income options.

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