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Changes to how superannuation pensions affect social security benefits

From 1 January 2015, income from superannuation pensions will be taken into account in determining whether you are eligible to receive the Age Pension (full or part payment) or the Commonwealth Seniors Health Card (CSHC). This might affect your ability to access either of these social security benefits in the future.

The social security means test for the Age Pension will include a deemed amount of income to be included for income and asset test purposes from 1 January 2015. The deemed amount will be calculated on the size of your account based pension balance. Deeming refers to the balance of a person's or couple's financial asset which has an amount of income deemed at a specific rate, regardless of the amount of income the asset actually earns.

For instance, under the current rules, an account based pension with a balance of \$500,000, may pay a pension of \$25,000 per year. The amount that is currently included under the means test is the amount received less a deductible amount. The deductible amount is calculated on the pensioner's life expectancy. In some cases the amount of the superannuation pension to be counted may be \$nil due to the pension received being less than the deductible amount. In contrast, if the deeming rules were to apply to the superannuation income stream an amount of \$16,780 is included under the income test. This deemed amount can change if the deeming rates are altered. Deeming rates normally change in line with the performance of financial markets. So if your investments are earning more, deeming rates will generally increase too.

If you are receiving a superannuation pension on 1 January 2015 and you are also receiving the Age Pension at that time, your superannuation pension will continue to be treated under the current rules. That is, income from the superannuation pension less the deductible amount will be included in the Age Pension means test. Because of this, it is important to consider the social security consequences of stopping or changing a superannuation pension from 1 January 2015. In many cases the current method of calculating the amount of the superannuation pension included for income test purposes will provide the best result to receive a higher Age Pension.

Similarly, from 1 January 2015, the income test for the CSHC will include "untaxed superannuation income". Untaxed superannuation income will be included in the CSHC income test by including a deemed amount of income that corresponds to the value of the tax-free component of an account based pension.

Like the Age Pension test, if you already hold a CSHC and are receiving a superannuation pension before 1 January 2015, you will not need to include a deemed amount in your CSHC income test. However, if your superannuation pension stops or changes after 1 January 2015 or your CSHC ceases even for a short time, the treatment may change.

The current income test thresholds for access to the CSHC are:

- For a single, adjusted taxable income of \$51,500.
- For a couple, a combined adjusted table income of \$82,400.

How can we help?

If you have any questions about how the changes to superannuation affect your entitlement to either the Age Pension or the CSHC, please feel free to give me a call to arrange a time to meet so that we can discuss their impact on your particular circumstances.