

Version 1

# Reference Guide Social Security



## **What this document is about**

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It contains information about our recommendations that you should read and understand. Further and more expansive information on any product recommended is available in the Product Disclosure Statements and research material provided with your Statement of Advice or Record of Advice.

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**Health Super Financial Services**

**Australian Financial Services Licensee (No. 240019)**

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## Section 1 - Social Security

### 1:1 Age Pension

The Age Pension is a safety net for seniors who are not able to fully provide for themselves in retirement. This is to ensure that these people have enough income to meet basic living expenses. The table below shows the gradual increase in women's qualifying age for Age Pension over the period leading up to 1 July 2013, and then the increase in qualifying age for both men and women from 1 July 2017.

From 1 July 2017, the qualifying age for Age Pension will increase from 65 to 65.5 years. The qualifying age for Age Pension will then rise by 6 months every 2 years, reaching 67 by 1 July 2023.

These changes will be introduced 4 years after women's qualifying age for Age Pension has reached 65, under existing rules.

Born	Women eligible for Age Pension at age	Men eligible for Age Pension at age
before 1 July 1935	60	65
From 1 July 1935 and 31 December 1936	60.5	65
From 1 January 1937 and 30 June 1938	61	65
From 1 July 1938 and 31 December 1939	61.5	65
From 1 January 1940 and 30 June 1941	62	65
From 1 July 1941 and 31 December 1942	62.5	65
From 1 January 1943 and 30 June 1944	63	65
From 1 July 1944 and 31 December 1945	63.5	65
From 1 January 1946 and 30 June 1947	64	65
From 1 July 1947 and 31 December 1948	64.5	65
From 1 January 1949 to 30 June 1952	65	65
From 1 July 1952 to 31 December 1953	65.5	65.5
From 1 January 1954 to 30 June 1955	66	66
From 1 July 1955 to 31 December 1956	66.5	66.5
From 1 January 1957	67	67

The person claiming the Age Pension must be in Australia and an Australian resident. Generally a person qualifies if they have always lived in Australia, or if they are, or were a refugee. A person who has lived overseas can also qualify if they:

- Have lived here for 10 years without a break,
- Have lived here for at least 5 years continuously and have, in total, lived in Australia, on or off, for more than 10 years,
- Have a qualifying residence exemption (i.e. they are, or were, a refugee),
- Are a woman who was widowed here, and both she and her partner were Australian residents at the time, and she has lived in Australia for two years immediately before the claim, or
- Was getting Widow B pension, Widow Allowance, Partner Allowance, or Mature Age Allowance immediately before reaching Age Pension age.

A person's Age Pension entitlement is calculated by Centrelink after applying an income and asset test. The test that produces the lowest entitlement will determine the amount of Age Pension a person will receive. The Centrelink rules provide specific definitions of assets and income and it is important that you have an understanding of these rules.

**What is the income test for the pension?**

The income thresholds are shown in the table below. Income above the lower threshold reduces the pension by 50 cents in the dollar (single) and 25 cents in the dollar each (for couple).

Fortnightly rates shown are valid from **1 July 2011 – 20 September 2011**.

Family Situation	Full Pension	Part Pension
Single pensioner	Up to \$150.00	Less than \$1,608.60
Pensioner couple (combined)	Up to \$264.00	Less than \$2,462.80
Couple—one a pensioner (combined)	Up to \$264.00	Less than \$2,462.80
Pensioner couple—Living apart (combined)	Up to \$264.00	Less than \$3,181.20

\*Rate of pension payable reduces by \$0.50 for single pensioners and \$0.25 (each) for a pensioner couple for each dollar in excess of the full pension limit.

**Work Bonus**

Work Bonus applies for pensioners over age pension age. The work bonus discounts 50% of the first \$500 per fortnight of employment income and will not count this income for income test purposes.

**What is the asset test for the pension?**

Your pension entitlement is also subject to an asset test. For every \$1,000 of assets above the lower limits, your fortnightly pension reduces by \$1.50 per fortnight.

**Assets Test for Homeowners:**

Rates shown are valid from **1 July 2011 – 20 September 2011**.

Family Situation	Full Pension	Part Pension*
Single pensioner	Up to \$186,750	Less than \$673,000
Pensioner couple (combined)	Up to \$265,000	Less than \$998,000
Couple—one a pensioner (combined)	Up to \$265,000	Less than \$998,000
Pensioner couple—Living apart (combined)	Up to \$265,000	Less than \$1,237,500

\*Rate of pension payable reduces by \$1.50 per fortnight for every \$1,000 of assets above the full pension limit for a single, couple (combined) and a pension couple living apart.

\*Rate of pension payable reduces by \$0.75 per fortnight for every \$1,000 of assets above the full pension limit for a couple (one a pensioner).

### Assets Test for Non-homeowners:

Rates shown are valid from **1 July 2011 – 20 September 2011**.

Family Situation	Full Pension	Part Pension*
Single pensioner	Up to \$321,750	Less than \$808,000
Pensioner couple (combined)	Up to \$400,000	Less than \$1,133,000
Couple—one a pensioner (combined)	Up to \$400,000	Less than \$1,133,000
Pensioner couple—Living apart (combined)	Up to \$400,000	Less than \$1,372,500

\*Rate of pension payable reduces by \$1.50 per fortnight for every \$1,000 of assets above the full pension limit for a single, couple (combined) and a pension couple living apart.

\*Rate of pension payable reduces by \$0.75 per fortnight for every \$1,000 of assets above the full pension limit for a couple (one a pensioner).

### Deeming

Deeming is the term which describes the method used by Centrelink and Veterans' Affairs to calculate your Centrelink assessable income from certain investments when determining the level of entitlement to be paid. Deeming means that you are assumed to earn a certain return on 'financial' investments, irrespective of the actual rate of interest or capital growth you earn.

If you earn more than the deemed rate on your investments, the excess will not be included in the income test and will not affect your Centrelink payment. However, if the investment earns less than the deemed rate, you will still be assessed as earning income at the deemed rate.

The income test then combines the deemed income with income earned from other sources, such as employment, rent, business income and superannuation pension and annuity income to determine the level of pension, allowance or benefit payable under the income test.

The Government changes the deeming rate from time to time to reflect market conditions and most financial institutions offer special accounts that pay interest at the deeming rate.

### How does deeming work?

To calculate the amount of deemed income you have, all that is required is to apply the relevant 'deeming rate' to the amount you hold in financial investments.

The deeming rates at **20 September 2010** are as follows:

Deeming rate	Single	Pensioner couple	Non-pensioner couple
3.0%	First \$43,200	First \$72,000 (combined)	First \$36,000 each
4.5%	Balance above \$43,200	Balance above \$72,000 (combined)	Balance above \$36,000 (each)

For pensioner couples (where at least one partner is receiving a pension), the financial assets are combined, for non-pensioner couples (where neither partner is receiving a pension) financial assets are assessed individually.

## **Which assets are assessed using deeming?**

Deeming applies to financial investments, which include:

- Cash
- Bank, building society, credit union accounts and term deposits
- Most friendly society bonds and insurance bonds
- Managed investments and shares in public companies
- Superannuation in accumulation after Age Pension age
- Bonds, debentures and loans, including private loans
- Gifts above the allowed amount
- Gold and other bullion

Financial investments do not include:

- Your home and its contents, cars, boats and caravans
- Antiques, stamp or coin collections
- Superannuation under Age Pension age
- Standard life insurance policies
- Funeral bonds
- Real property
- Shares in private companies, discretionary Trusts
- Superannuation pensions, Account Based Pensions, Term Account Based Pensions, allocated annuities or immediate annuities, account based pensions

The assessment of income for Social Security purposes can be complex.

## **Gifting**

In order to prevent you from simply giving away your assets to qualify for the Age Pension and other social security benefits, Centrelink and the Department of Veterans' Affairs have rules that impact income support recipients who "gift" away their assets.

These gifting rules can be summarised as follows:

- Two tests apply in respect of asset gifting:
  - a maximum of \$10,000 in gifts is allowed in a single financial year (for both singles and couples combined), and
  - a maximum of \$30,000 in gifts is allowed over a five year rolling period (singles or couples combined).
- Gifts outside this limit will be classed as 'deprived assets'.
- The deprived assets will count under the assets test for five years from the date of gift and will be subject to deeming under the income test for the same period.

From a practical sense, the gifting rules carried out by Centrelink and DVA will involve two tests. Firstly, they will look at whether the gift is within the \$10,000 per financial year that is allowable. Secondly, they will also test whether the \$30,000 limit over a five year rolling period is satisfied. The combination of these tests will determine whether the client has any deprived assets for a period of five years.

The \$30,000 limit over a five-year rolling period is also extended to include the five-year pre-pension period. That is, the five years in the lead up to a client first being entitled to a social security pension or benefit.

## Pension Bonus Scheme

A pension bonus is payable to people who defer the receipt of an age pension by continuing to work beyond their eligible pension age. The Work Bonus applies to all pensioners over age pension age being assessed under the new pension system. It does not apply to pensioners being paid at the transitional rate.

To receive the Pension Bonus you must have first qualified for Age Pension before 20 September 2009 and have registered for the scheme at the time you reached Age Pension age.

Payment rates appear below as a guide only and are effective from: **1 July 2011 – 20 September 2011.**

Years in the Scheme	Single – Maximum Rate	Partnered (each) – Maximum Rate
1 year	\$1,689.00	\$1,277.00
2 years	\$6,758.00	\$5,109.00
3 years	\$15,205.00	\$11,497.00
4 years	\$27,033.00	\$20,439.00
5 years	\$42,238.00	\$31,936.00

The amount of bonus you get depends on:

- Level of income and assets. Please note, the pension bonus is not assessable as income for the income test.
- The amount of basic Age Pension you are entitled to when you claim it after leaving the workforce
- The length of time you have been an accruing member of the PBS, and
- Whether you are single or have a partner during the time you are deferring your Age Pension.

The following are conditions of eligibility for the Pension Bonus Scheme:

- Individuals must be registered members of the scheme. Registration for the bonus scheme must be made within 13 weeks of meeting the age and residence requirements for Age Pension.
- Must defer pension for a minimum of 12 months from the date of registration. Maximum bonus accrual period is five years.
- Must not have been paid an income support payment (except Carer Payment) since meeting age and residency requirement for the Age Pension.
- Must complete at least 960 hours of paid work each accrual year.
- Cannot accrue any further bonus periods after the age of 75 years.
- Must lodge a claim for the bonus at the same time as claim for the Age Pension upon retirement. No pension bonus is payable, unless Age Pension is payable.
- A bonus cannot be paid to anyone who has already received Age Pension or another payment since reaching Age Pension age. If a claimant dies before the bonus becomes payable, it is no longer payable to the estate or spouse of a deceased claimant.

## 1:2 Commonwealth Seniors Health Card

The Commonwealth Seniors Health Card provides you with some of the benefits linked with the age pension including pharmaceutical benefits scheme, transport concessions, education concessions, and you may also be entitled to payments towards rates and registration.

To qualify, you must:

- be an Australian resident, living in Australia, and
- have reached Age Pension age but do not qualify for Age Pension, and
- have an annual income of less than \$50,000 (singles), \$80,000 (couples combined) and \$100,000 (couples combined who are separated due to ill health).
- The limit is increased by \$639.60 for each dependent child you care for.

**Note:** Dependants of Commonwealth Seniors Health Card holders are not eligible for concessions using the cardholder's card.

### What services does the card help you with?

You will get a discount on prescription medicines through the Pharmaceutical Benefits Scheme (PBS). Other services may include:

- bulk-billed GP appointments, at the discretion of the GP (the Australian Government provides financial incentives for GPs to bulk-bill concession card holders).
- a reduction in the cost of out-of-hospital medical expenses above a concessional threshold through Medicare Safety Net.
- in some instances, additional health, household, transport, education and recreation concessions which may be offered by State or Territory and local governments and private providers. Please note: these providers offer these concessions at their own discretion, and the availability of these concessions may vary from state to state.

You may also be entitled to receive the following allowances:

- Seniors Concession Allowance - a non-taxable payment made every six months to help with regular bills such as energy, rates and motor vehicle registration fees that are not available at a concessional rate.
- Telephone Allowance - if you have a telephone connected in Australia in your own or your partner's name.

### **1:3 NewStart Allowance**

If you are unemployed, NewStart Allowance provides financial support while you are looking for work. You may be eligible for NewStart Allowance if you are:

- aged 21 years or over, and
- under Age Pension age, and
- looking for paid work, and
- prepared to enter into an Employment Pathway Plan and meet activity test requirements, and
- not involved in industrial action.

You need to enter into and sign an Employment Pathway Plan when you start to receive NewStart Allowance. This outlines activities you agree to undertake while you are looking for work to give you the best chance of getting a job.

To keep getting NewStart Allowance, you need to participate in activities designed to increase your chances of finding work. This is called meeting 'activity test' requirements. They could mean applying for jobs, doing a course, or working part-time. You may be able to receive a short-term exemption from the Activity Test in special circumstances.

#### **NewStart for Over 55's**

Please note that If you are aged 55 years or older, the activity test requirements are more flexible. Rather than being required to actively seek employment, Centrelink offers the chance to perform volunteer work (with a registered organisation) for two days per week (or four days per fortnight). Regardless of which 'work' you choose to engage in (i.e., either volunteering or actually seeking employment), Centrelink will need constant reassurance (by way of paperwork) that you are indeed undertaking the appropriate activities at the required level.

#### **Waiting Periods**

There are two relevant waiting periods, the income maintenance period and the liquid assets waiting period (**see 1:8 and 1:9**).

The maximum waiting period is 13 weeks.

## 1:4 Bereavement Allowance

If you are recently widowed, have no dependent children and have not been getting a payment from Centrelink, Bereavement Allowance helps give you an adequate level of income while you make funeral arrangements, settle financial affairs, look for work and determine whether you are eligible for a longer term payment from Centrelink.

You may get Bereavement Allowance if:

- your partner dies, **and**
- you were living with your partner immediately before your partner's death, **and**
- you have not re-partnered, **and**
- you are not eligible for Widow B Pension, Parenting Payment, Service Pension or War Widows Pension, **and**
- your income and assets are below a certain amount, **and**
- you are an Australian resident, that is, you are living in Australia and are one of the following:
  - an Australian Citizen
  - a permanent visa holder
  - a New Zealand citizen who was in Australia on 26 February 2001 or for 12 months in the two years immediately prior to that date, or who was granted 'protected status' prior to 26 February 2004
- you satisfy the qualifying residence requirements for Bereavement Allowance.

You may receive:

- a fortnightly Bereavement Allowance, which is payable for 14 weeks after the death of your partner. If you are pregnant when your partner dies, you can continue to receive Bereavement Allowance until the baby is born.
- a Pensioner Concession Card.

**Note:** if you are currently receiving a qualifying payment from Centrelink, you may consider transferring to Bereavement Allowance (paid under the Pensions Income and Assets Test) during this 14-week period. Please contact your local Centrelink office to determine eligibility.

## 1:5 Carer Allowance

This is an allowance for parents or carers of children and adults with a disability, severe medical condition or who are frail aged. There is no income or assets test for this allowance and it is not taxable. Carer Allowance will be paid in addition to Carer Payment or other Centrelink payments such as the Age Pension.

You may get Carer Allowance (adult) if:

- you are looking after an adult with a severe disability or medical condition who needs a lot of additional care and attention
- you provide care for an adult in either your home or the home of the person you care for, and
- you and the person you are caring for are Australian residents.

Important:

- You need a health professional's report to help establish eligibility.
- You can get Carer Allowance for up to two adults if both adults individually qualify.
- Two carers may share one payment of Carer Allowance, in certain circumstances, if together they are providing care.

The Adult Disability Assessment Tool (ADAT) is used to assess medical eligibility for Carer Allowance where the person being cared for is at least 16 years old. This tool measures the level of care needed by an adult as a result of his or her disability or medical condition.

### **Carer Payment**

This is an income payment for carers who, because of the demands of their caring role, are unable to undertake substantial workforce participation. It is an income and asset tested payment. It is paid to full-time carers or parents of children or adults with a disability, severe medical condition or who are frail aged. Please note, you will need a health professional's report to help establish eligibility.

If you are over Age Pension age and are caring for someone, you may choose to receive Carer Payment or Age Pension. There are certain rules regarding the amount of care needed and provided that must be met for Carer Payment. There can be advantages to receiving either Carer Payment or Age Pension depending on your circumstances. While there are several differences between Carer Payment and Age Pension there are also several areas that are the same for both payments.

Both Carer Payment and Age Pension:

- Have the same rate of payment
- Have the same income and assets test for the carer
- Are taxable (Carer Payment is taxable once the carer, or the person being cared for, reaches age pension age), and
- Entitle the customer to a Pensioner Concession Card.

You may get Carer Payment (adult) if you provide constant care in the home of the person you care for and they are:

- a person aged 16 or over with a severe disability or medical condition, or
- an adult with moderate care needs and supervision of their dependent child if this child is under six years of age, or between six and 16 years of age and attracts payment of Carer Allowance, and
- you meet the income and assets tests
- you are an Australian resident or allowed to live here permanently (a two year waiting period may apply for recently arrived migrants).

The person you care for needs to:

- be over 16 and getting an income support payment from Centrelink, a Veterans' Affairs Service Pension or Partner Service Pension, or
- be unable to get any of these payments because they have not lived in Australia long enough to qualify, or
- meet the special care receiver income and assets limits, and
- be an Australian resident.

## 1:6 Disability Support Pension

The Disability Support Pension (DSP) aims to provide a level of support to people whose physical, intellectual or psychiatric impairment prevents them from working. This pension is also payable to people who are permanently blind. The rate of DSP and the income and assets test are the same as for the Age Pension. Basic conditions of eligibility for Disability Support Pension (DSP) are:

- Aged 16 or over but less than Age Pension age at date of claim lodgement, and
- Have physical, intellectual, or psychiatric impairment assessed at 20 points or more, and
- Inability to work for at least 15 hours per week for at least the next two years as a result of impairment, and
- Inability, as result of impairment, to undertake educational or vocational training which would equip the person for work within the next two years, or
- Aged 16 or over but less than Age Pension age at date of claim lodgement, and
- Permanently blind.

The same general Australian residency requirements apply as are required to be eligible for the Age Pension. Payments can commence immediately if incapacitated while an Australian resident or during temporary absence. DSP may also be paid for up to 26 weeks of temporary overseas absence or indefinitely if severely disabled.

Where the DSP recipient continues to live with their parents, it is important to note that the parents' assets and income levels do not impact the DSP payment amounts. Recipients of DSP will also be eligible to receive the pharmaceutical allowance, unless they are located overseas.

In order to claim Disability Support Pension a person must broadly be incapable of 15 hours of work at award wages. Individuals assessed as being capable of between 15 and 30 hours of work will only be eligible for Newstart Allowance. They will be obliged to seek part-time work of at least 15 hours per week.

## 1:7 Health Care Card

A Health Care Card entitles you to reduced cost medicines as well as a limited number of other concessions.

### Who can qualify for a Health Care Card?

You can get a Health Care Card if you receive one of the following payments:

- Newstart Allowance
- Exceptional Circumstances Relief Payment / Special Benefit
- Sickness Allowance
- Partner Allowance
- Widow Allowance
- Youth Allowance (only job seekers receive a card automatically, you need to apply as a low income earner if you are a full-time student)
- Parenting Payment (Partnered)
- Maximum rate of Family Tax Benefit Part A
- Mobility Allowance (if you are not receiving Disability Support Pension)
- Carer Allowance (for a child under 16 years with a disability - the card is for the direct benefit of the child only).

## **1:8 Income Maintenance Period (IMP)**

### **What is the Income Maintenance Period?**

Income Maintenance Period (IMP) treats lump sum payments for outstanding leave and redundancy received at termination of employment as assessable income for the period relevant to the leave and the weeks of pay included in the redundancy. The IMP commences on the day that you receive the leave payment.

### **What Centrelink benefits are affected?**

The IMP is only applied to all non-age pension income support payments with the exception of Carer payment.

### **How is the IMP calculated?**

The IMP treats redundancy payments as income over a period equal to that for which the leave was paid. The level of income assessed will be calculated according to the rate paid by the employer.

### **Example**

After 20 years of service and currently earning \$70,000 pa, Fred accepts a bona fide redundancy based on three weeks pay per year of service (60 weeks). He has also accumulated 50 weeks of long service leave and 4 weeks of annual leave. Fred will be assessed as earning his salary for 114 weeks, therefore excluding him from receiving an income support payment for this period.

## **1:9 Liquid Assets Waiting Period**

### **What is the Liquid Assets Waiting Period test?**

The Liquid Assets Waiting Period (LAWP) is a period that you must wait before being paid an allowance (Newstart, Sickness and Youth Training), if you have 'liquid' funds above the threshold. The maximum LAWP is 13 weeks and is applied from the date that your employment ceased.

Liquid assets are any readily available funds, including those of your partner, which you can access within 28 days of the date you last worked.

### **What types of asset are considered to be liquid assets?**

The following are considered to be liquid assets:

- Cash
- Shares and debentures
- Term deposits
- Other money available at short notice
- Payments made or due and able to be paid in respect of a claimant's or spouse's last paid employment
- 10-year insurance bonds
- Amounts deposited or lent to banks or other financial institutions, whether or not the amount can be withdrawn or repaid immediately.

### **What assets are not considered to be liquid assets?**

Superannuation and termination payments which have been rolled over or are going to be rolled over directly from the claimant's employer are not considered to be liquid assets.

## **1:10 Victorian Seniors Card**

The Seniors Card is a Victorian Government initiative in partnership with the private sector to encourage people who have retired or who are working part time to continue to engage with the community. The Seniors Card enables access to a wide range of discounted goods and services from participating businesses including travel, accommodation, hospitality, entertainment, leisure and public transport. As of 1 January 2009, Victorian Seniors Card holders can access seniors discounted public transport fares in all states except West Australia and rural Queensland.

To be eligible for the Victorian Seniors Card, you must be:

- 60 years of age or over,
- Retired or working less than 35 hours per week in paid employment,
- A permanent resident of Victoria,
- On work cover for more than 6 months.
- You are not eligible if you are:
  - An interstate or overseas visitor,
  - On long service leave, recreational leave or sick leave from paid employment.

To apply for the Seniors Card, an application form can be obtained from any Australia Post Office or downloading the form from the website [www.seniorscard.vic.gov.au](http://www.seniorscard.vic.gov.au). Please note, an authorised Statutory Declaration form must be submitted with the application.

**Notes:**