Age Pension

The Age Pension is income support paid by the government with the aim of ensuring all retirees have a minimum level of retirement income.

Eligibility

A person may be eligible for the Age Pension if they meet the following three tests:

- Have reached Age pension age
- Satisfy residency rules
- Have income and assets below the cut-out thresholds

If receiving the Age Pension, all changes to personal and financial circumstances need to be advised to Centrelink. This includes switching investments, gifting money, or changes to personal circumstances, such as separating from a partner.

Age Pension Age

Age pension age under Social Security legislation is 67 for both males and females.

Residency Rules

To be eligible, a person must usually have been an Australian resident for at least 10 years, with at least five of these years in one continuous period.

Agreements exist with some countries which may help a person to qualify for the age pension with less than 10 years residency. Details should be confirmed with Centrelink.

Income and Assets Test

If eligible to apply, the amount of pension payable is calculated under two means tests - the income test and assets test. The test that results in the lower rate of payment is the one that applies.

Income Test

If income is below a certain amount (lower threshold) the full age pension is payable under the income test. The pension will reduce by $0.50 per fortnight (single or couple combined) for each $1.00 of income over the threshold. No pension is payable if income reaches the upper cut-off threshold.

The lower thresholds are indexed on 1 July each year. The cut-off thresholds also increased on 20 March and 20 September in line with payment increases.

Assessable income may not be the same as actual income or taxable income. Specific rules apply to determine how much income is assessed on some investments. The most common rule is deeming, and this is explained below. The rules for how other sources of income are assessed can be checked with a financial planner or Centrelink.

Assets Test

Assets need to be below a certain amount (lower threshold) to qualify for the full age pension under the assets test. The pension will reduce by $3.00 per fortnight (single or couple combined) for each $1,000 of assets over the threshold. No pension is payable once assets reach the upper cut-off threshold.
The lower thresholds are indexed on 1 July each year. The cut-off thresholds also increase in March and September in line with pension payment increases.

Assets are assessed at net market value, but some assets are exempt, such as the home and superannuation (accumulation phase) under age pension age.

Deeming Rules

Investments classified as 'financial assets' are subject to the deeming rules, which are used to determine the assessable income for the Age Pension income test. The actual income earned from these investments is generally not relevant.

Financial assets include:

- Cash
- Bank accounts/term deposits
- Debentures and bonds
- Shares
- Investments in managed funds
- Insurance bonds
- Account Based Pensions (special rules may apply if purchased before 1 January 2015)
- Superannuation balances if you are over age/service pension age
- Loans
- Excess gifts over $10,000 per annum or $30,000 per rolling five-year period

The value of your financial assets is added together, and government-set deeming rates are applied to determine assessable income.

Pension Concession Card

Eligible Age Pension recipients may receive a Pensioner Concession Card, which provides access to reduced-cost medicines under the Pharmaceutical Benefits Scheme.

You may also be entitled to various concessions from the Australian Government. These could include:

- Bulk billing for doctor's appointments (this is your doctor's decision)
- Higher refunds for medical expenses through the Medicare Safety Net
- Assistance with hearing services

You may also be entitled to various concessions from state and territory governments and local councils. These could include:

- Reductions on property and water rates
- Reductions on energy bills

- Reduced fares on public transport
- Reductions on motor-vehicle registration
- Free rail journeys

Other Entitlements

A pension supplement is added to the pension payable to help with living expenses. A person who is renting a home may also be eligible for Rent Assistance to help with the cost of renting.