

Issue

The 2006/07 Federal Budget announced a number of changes for pensions and retirees. This note outlines the proposed changes to pension arrangements and superannuation arrangements

Background

The changes fall into two main categories:

- a) the proposed changes to the pension assets test, due to be debated in parliament in the spring session and come into effect on 1 January 2007; and
- b) the proposed changes under the simplifying and streamlining superannuation that is expected to take effect on 20 September 2007.

Pension Assets Test

Under the proposal, people of Age Pension age living on rural property, may have all land on the same title as the family home excluded from the assets test applied to Age Pensions and Carer payments. Currently there is a two-hectare exemption of home property land, sometimes referred to as "curtilage".

To qualify, a person must be:

- an Age Pensioner; or
- a Carer Payment recipient of age pension age; or
- a qualified person of age service pension age; or
- for a service pensioner couple, one member of a couple has reached the relevant pension age paid under the Veterans' Entitlements Act 1986.

The person must have a long-term (20 year) attachment to the land.

The area of land to be disregarded is limited to that on the same title as the person's principal home.

The exemption is limited to land primarily used for domestic purposes. The person must show that it is not reasonable for them to take alternative action that will enable them to use the land to support themselves.

Superannuation Proposals

- More generous pension assets tests are proposed for all people of pension age.
- The current \$3 reduction of age pension per fortnight for every \$1,000 of assets above the assets test free area will be reduced to \$1.50 reduction per fortnight for every \$1,000 of assets above the assets test free area.
- Based on the current age pension this would mean, a single retiree homeowner could have around an additional \$165,000 of assets before losing the age pension, while a couple could have around \$275,000 of additional assets.
- The current 50% assets test exemption for complying income streams would be removed from 20 September to coincide with the reduction in the assets test taper rate.

For more information

- These are still only proposals however once the changes have been agreed, Centrelink will write to you if you have curtilage affecting your pension. There will also be notices in the Centrelink newsletter *News for Seniors*.
- Alternatively contact your local Centrlink office or the Department of Families, Community Service and Indigenous Affairs.