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PIS Timely Tips



Pension Bonus Scheme to be Replaced



The Pension Bonus Scheme is a program designed to reward people who defer claiming the age pension and continue to remain engaged in the workforce after reaching age pension age. For those who qualify, a lump sum payment of up to \$34,818 for a single, and up to \$29,077 each for couples, is payable once a person qualifies and commences to receive the age pension.

To be eligible for the Pension Bonus Scheme a person must register with Centrelink once reaching age pension age and then keep a log of the hours they work. The minimum work requirement is 960 hours per annum (equivalent to 20 hours per week over a 48 week period each year).

The Pension Bonus Scheme can deliver a much needed lump sum boost for a retirement nest egg but importantly, to receive a bonus payment, a registered applicant must be eligible to receive the pension at the time they eventually cease working.

In the May 2009 Federal Budget, the Government announced the Pension Bonus Scheme would cease for new applicants effective from 20th September 2009.

People already registered, or who register prior to the close off date in September, will continue to be eligible to receive a Pension Bonus Scheme benefit. The current Pension Bonus Scheme will be replaced with "work bonus".

The new arrangement, which will take effect from 20th September 2009, will reward people over pension age (presently 65 for men, and 63½ for women) who continue to be engaged in the work force. The new work bonus is simply a modification to the current income test. For those who derive income from employment, only 50% of the income they receive, up to \$250 per fortnight, will be counted under the income test. In simple terms, a person of age pension age who earns \$500 or more per fortnight will have \$250 of that income disregarded for income testing purposes. If, on the other hand a person earned (say) \$350 per fortnight, \$175 would be disregarded.



In many ways the new work bonus will deliver a more practical and potentially more beneficial outcome as it will not require people to register with Centrelink and defer claiming the age pension until a future date. The work

bonus will apply from the time a person reaches age pension age and can be varied as income fluctuates during their retirement. There will, however, be an obligation to report employment income to Centrelink to ensure that the correct entitlement to the concessional income test treatment is being applied.

The work bonus is not in addition to the Pension Bonus Scheme. The existing scheme will apply to those people of age pension age who register prior to 20th September 2009. The new scheme will apply once a person reaches age pension age, and to those of age pension age or older who have not registered under the pension bonus scheme.



For people who will be of age pension age before 20th September 2009 and intend to continue working for at least one year after reaching age pension age, there may still be a benefit in registering under the Pension Bonus Scheme prior to the cut off date.

Further information on applying for the Pension Bonus Scheme and the Work Bonus can be found at www.centrelink.gov.au

Source | Professional Investment Services | August 2009

Did You Know?

In August 2009, the Australian population was estimated to be 21,800,000. One new birth occurs every one minute and 47 seconds, and one death occurs each three minutes and 47 seconds. That equates to just over 800 births, and 380 deaths each day.

Source | Australian Bureau of Statistics

About our services: The Group has offices in all capital cities throughout Australia as well as an extensive regional network. Our highly skilled and trained advisers will assist you in determining the financial strategy that is right for you.

List of services:

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- Corporate superannuation
- Corporate services

Changes to Centrelink Benefits



Twice each year, in March and again in September, Centrelink reviews the rate of payment for range of income support benefits including the age pension.

On 20th September 2009, the full single pension will be increased by \$64.98 per fortnight. This increase includes the promised \$30 per week increase for single pensioners announced in last May's budget. Couples will receive an increase of \$20.28 per fortnight, combined.

These increases are in addition to the regular indexation of pensions.

In previous years, pensioners have received a Telephone and Utilities Allowance paid quarterly, however, from 20th September this year, these Allowances are being rolled into a new Pension Supplement, payable fortnightly. The GST Supplement and Pharmaceutical Allowance are also included in the Pension Supplement.

The final quarterly payments of Telephone and Utilities Allowance will

be paid in September 2009 along with the first payment of the Pension Supplement.

There are a number of changes to the Pension Income Test that will also take effect from 20th September.

These include:

Change to taper rate

Where income exceeds the minimum threshold, pension entitlements currently reduce by 40 cents for each \$1 of income over the income threshold (currently \$142 per fortnight for singles, and \$248 for couples). From September, the taper rate will increase to 50 cents for each dollar of income over the income test threshold.

Pension Bonus Scheme

The Pension Bonus Scheme that applies to pensioners who continue in the workforce and defer claiming the age pension will be abolished from 19th September 2009. See our separate article in this edition of Timely Tips for details of the changes to this Scheme.

Income test "free area" for dependent children

The current income test 'free area' for dependent children (currently \$24.60 per child) is to be removed from 20th September 2009.

Transitional payment rates

Current pensioners will be assessed under both the current and the new rules. Where the new rules would result in a reduced pension being paid, the pensioner will be paid a transitional rate so as not to incur a reduction in their payment.

Pensioners receiving a transitional rate will receive an estimated \$20.28 pension increase (singles and couples combined). The transitional rate will be indexed to Consumer Price Index

in March and September each year. This will continue until such time as the pension assessment under the new rules results in the same, or a higher pension being payable under the new rules.



These changes will apply to people receiving the Age Pension, Disability Support Pension, Carer Payment, Widow B Pension, Wife Pension, and Bereavement Allowance. Those receiving the Parenting Payment Single and Disability Support Pension under 21 and without dependants, and who receive income that exceeds the income test 'free area', will generally not be affected by these changes.

It is fair to suggest that understanding the rules relating to the payment of Government income support benefits can be complex and difficult to understand. Your financial adviser can generally assist in working your way through this complex area.

Information on these changes can be accessed at www.centrelink.gov.au

Source | Professional Investment Services | August 2009

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