SuperGuide

THE BEGINNERS GUIDE **TO THE AGE PENSION**

Introduction

The Age Pension is one of the ‘three pillars of retirement income’ in Australia, along with superannuation and private savings, and nearly 30 years after the introduction of super, it still plays a critical role in retirement income for most Australians.

Around two thirds of Australians aged over 66 currently receive at least some Age Pension, with 41% on the full pension and 25% on a part pension. So don’t assume you won’t be eligible – you could be pleasantly surprised.

In this guide we’ll detail the current Age Pension rates, guide you through the eligibility rules and break down how to apply.

What are the current Age Pension rates?

The maximum current fortnightly Age Pension rates for singles and couples are outlined in the table below. The amounts for Age Pensioners who also qualify for the Pension and Energy supplements is also shown.

Age Pension rates for a single person

	Amount
Maximum base rate	$868.60
Maximum pension supplement	$70.30
Energy supplement	$14.10
Total (per fortnight)	$952.70

Age Pension rates for a couple (living together)

	Amount (each)	Amount (combined)
Maximum base rate	$654.40	$1,308.80
Maximum pension supplement	$53.00	$106.00
Energy supplement	$10.60	$21.20
Total (per fortnight)	$718.10	$1,436.20

Source: Department of Human Services. Applicable 20 March 2021 to 19 September 2021

Note that single Age Pensioners and couples living apart receive the same amount – higher than couples who are living together.

If you exceed the assets test or income test limits you may be eligible for a part Age Pension. The amount you receive progressively decreases depending on the value of your assets and income, and you receive the lower amount based on both tests.

There are also different rates for some pensioners who were on the Age Pension before 2009 (transitional rates) and different rates for non-residents.

What age are you eligible for the Age Pension?

Your eligibility for the Australian Age Pension depends on your age, residency and whether you pass means tests based on your assets and income.

The first requirement that you must satisfy to be eligible for the Age Pension is reaching the minimum age. It is currently 66 years for both men and women, although this will increase to 66 years and 6 months from 1 July 2021, and to 67 years from 1 July 2023, as outlined in the table below.

Date of birth	Age Pension age	Date that Age Pension age changes
Born between 1 January 1954 and 30 June 1955	66 years	1 July 2019
Born between 1 July 1955 and 31 December 1956	66 years and 6 months	1 July 2021
Born from 1 January 1957 onwards	67 years	1 July 2023

Source: Department of Social Services

Yes, it can be a bit confusing. If you are still unsure when you will be eligible for the Age Pension, SuperGuide has a handy tool (our **Retirement Age Calculator**) that will help!

Find out what is your Age Pension (and Preservation) age

This tool can help you calculate your **Age Pension age.** All you need to do is enter your date of birth.

This tool also calculates your **preservation age** (which is the age you can access your super if you meet a **condition of release**, such as retiring or turning 65 years of age). Like the Age Pension eligibility age, your preservation age depends on your date of birth.

Select your date of birth	1 Jan 1960
Your preservation age is	55
Your Age Pension age is	67

Click here to access the tool

Residency rules explained

When it comes to accessing the Age Pension, reaching your eligibility age is not all it takes. You also need to pass specific **residency rules.**

What are the Age Pension residency rules?

You must be an Australian resident to qualify for the Age Pension, along with meeting at least one of the following:

- You have been an Australian resident for at least ten years (and at least five of those years have been consecutive).
- You have been a female Australian resident for the past two years and you are the widow of an Australian resident.
- You were receiving an Australian widow's pension or allowance (or a partner allowance) immediately before you reached your pension eligibility age.

Are there any exceptions?

The short answer is Yes. There are some limited exceptions to the above criteria. For example, Australia has an arrangement with New Zealand that their citizens who aretAustralian residents can receive an Australian Age Pension, provided they also meet the age eligibility requirement and they pass the means tests.

In addition, refugees, former refugees and their family members have a qualifying residence exemption. This allows them to qualify for the Australian Age Pension if they meet all other eligibility requirements

Situation		Limit (1 July 2020 to 30 June 2021)
Single	Homeowner	$268,000
Single	Non-homeowner	$482,500
Couple (combined)	Homeowner	$401,500
Couple (combined)	Non-homeowner	$616,000

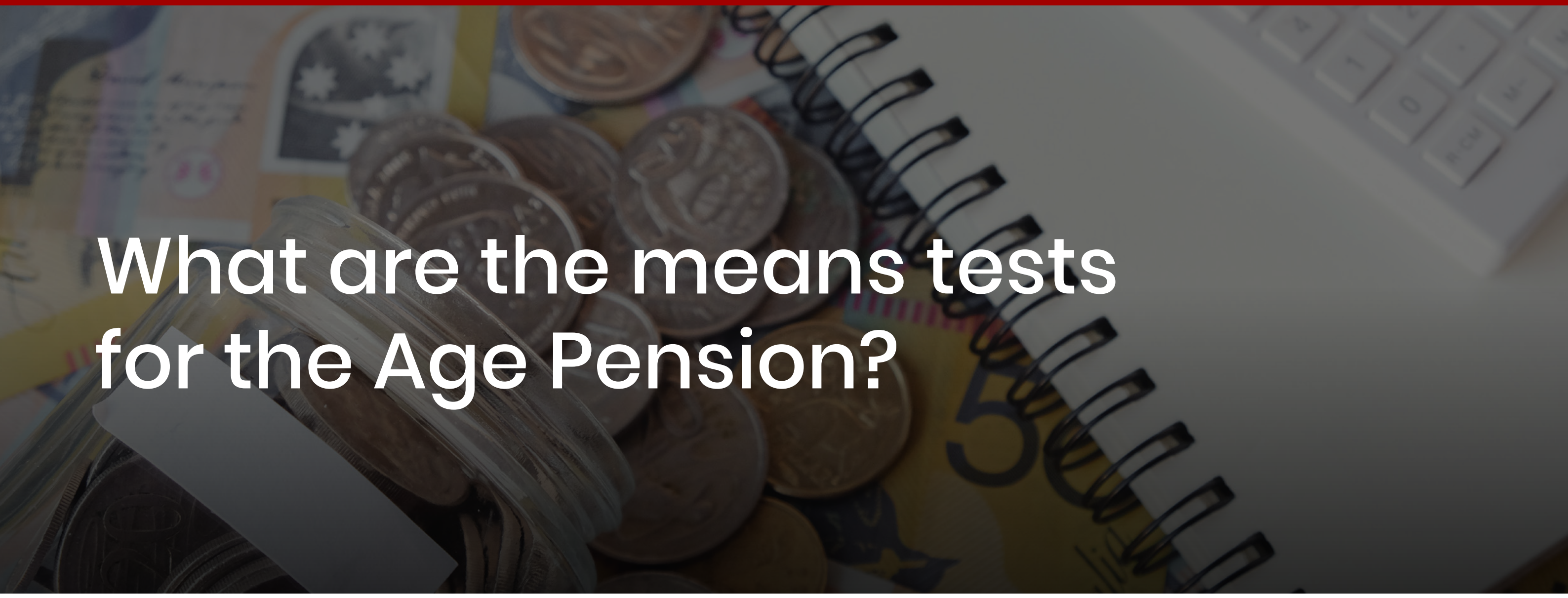
Source: Department of Human Services

If the value of our assets is above the thresholds in the above table, you may still be eligible for a part Age Pension. The table below shows the maximum values of assets you can hold to still be eligible to receive any part pension payment.
The amount of Age Pension you are eligible for reduces by $3 per fortnight per $1000 of assets until it cuts off completely when the value of your assets exceeds the figures below.

Examples of assets that you or your partner may own that will be included in your assets test are any of the following:

Assets limits for a part Age Pension

Situation	Homeowner?	Limit
Single	Homeowner	$585,750
Single	Non-homeowner	$800,250
Couple (combined)	Homeowner	$880,500
Couple (combined)	Non-homeowner	$1,095,000
Couple (illness-separated, combined)	Homeowner	$1,037,000
Couple (illness-separated, combined)	Non-homeowner	$1,251,500



What are the means tests for the Age Pension?

A common question for retirees is 'How much money can I have or earn before it affects my pension?'. This is due to the Age Pension being means tested.

These means tests incorporate an assets test and an income test. Along with the age and residency eligibility, you need to pass both means tests, and how much assets and income you have directly affects how much Age Pension you're entitled to receive.

How is the Assets test calculated?

The market value of any assets that you or your partner own will be assessed by Centrelink to determine your potential eligibility for the Age Pension.

Your residential home is not included in the assets test, but nearly all your other assets will be, including your superannuation.

There are limits on the value of the assets you (and your partner combined) can own to be eligible for either a full or part pension. The limits depend on whether you own your own home, as well as your living arrangements (including if you have a partner and whether they are age-eligible for the pension).

Assets limits for a full Age Pension

These limits are outlined in the table below.

- Real estate (excluding your family home).
- The market value of your Household contents.
- Superannuation balances
- Other financial investments, like term deposits or any surrender value of life insurance policies
- Retirement village contributions
- Business assets
- Motor vehicles
- Boats
- Caravans
- Jewellery
- Cryptocurrencies

To help you understand the impact of assets on your Age Pension entitlement, SuperGuide Premium has detailed tables showing how much your Age Pension goes down as the greater the value of your assets.

Assets Value	Age Pension Payment (per Fortnight)	Age Pension Payment (per year)
$268,000	$944.30	$24,552
$275,000	$923.30	$24,006
$300,000	$848.30	$22,056
$325,000	$773.30	$20,106

How is the Income test calculated?

Centrelink will also assess your income from all sources (including income from your superannuation and other investments) to determine your eligibility for the Age Pension

Income limits for a full Age Pension

Situation	Limit (1 July 2020 to 30 June 2021)	
	Fortnightly limit	Annual limit*
Single	$178	$4,628
Couple (combined)	$316	$8,216

Source: Department of Human Services. *Annual amounts are estimated by multiplying fortnight amounts by 26

If your income is above the thresholds in the above table, you may still be eligible for a part Age Pension. The amount of Age Pension you are eligible for progressively reduces by 50 cents for each dollar earned until it cuts out completely when your income exceeds the figures below.

Examples of what's included in the income test

You and your partner's gross income from all sources could include any of the following.

Situation	Limit (20 March 2021 to 30 June 2021)	
	Fortnightly limit	Annual limit*
Single	$178	$4,628
Couple (combined)	$316	$82,898
Couple (illness-separated, combined)	$4,126.80	$107,297

- Any employment income you may have received (excluding the $300 fortnightly work bonus mentioned earlier in this article).
- Any investment income.
- Any voluntary super contributions that you may make (or that an employer may make on your behalf that is in excess of the **9.5% superannuation guarantee**).
- Any income you may have received from being a sole trader or a partner in a business.
- Certain types of lump sum payments you may have received (for example, leave payments, distributions from family trusts, royalty payments, or severance/ redundancy payouts).

If any of the income you or your partner has received is from overseas sources, the amounts will be converted to an equivalent Australian dollar value using current exchange rates

How deeming works

It's important to understand that Centrelink use deeming rates to calculate a standardised return you're likely to get from different types of investments you may have, regardless of whether you actually earn that return or not.

The deeming rates **from 1 July 2020** are listed in the table below.

Situation	Deeming rate
Single	**Lower rate:** 0.25% on the first $53,000 of your investment assets, plus **Upper rate:** 2.25% on your investment assets over the amount of $53,000
Couple	**Lower rate:** 0.25% on the first $88,000 of your combined investment assets, plus **Upper rate:** 2.25% on your investment assets over the amount of $88,000

So for example, if you are a single person with $80,000 worth of assets then your deemed income would be $740 per year.

This is comprised of:

- 0.25% ($132.50 per year) on the first $53,000
- 2.25% ($607.50 per year) on the remaining $27,000.

What is the work bonus?

Age Pensioners who are still doing some paid work can earn up to $300 per fortnight and not have this amount included in their income test for the Age Pension. This is known as a 'work bonus'.

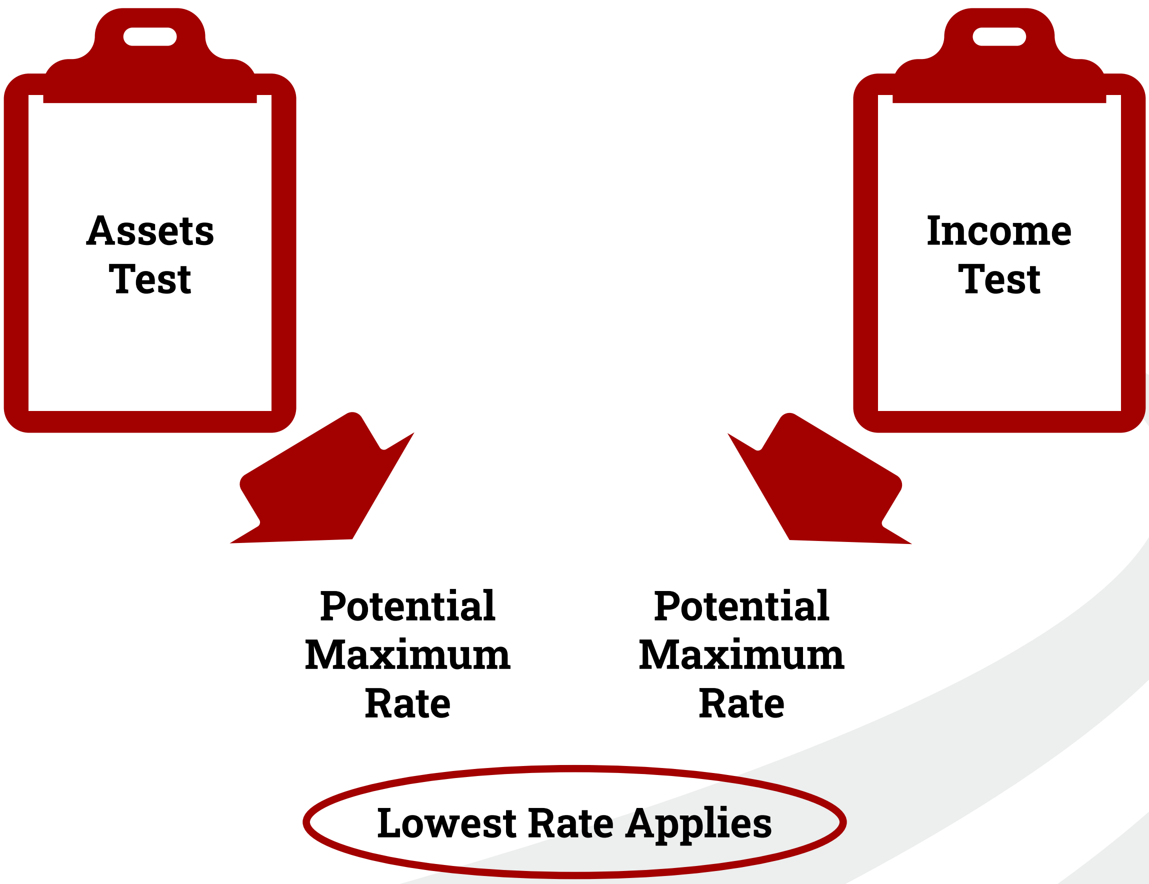
This amount can be accumulated up to an amount of $7,800 to offset against any future employment income that would be assessable under the income test.

You don't need to apply for the work bonus; Centrelink will automatically apply it to your income test

Are the income and assets test limits combined to reduce your pension?

No. If you pass the thresholds in both your income and assets tests, your pension will not be reduced by the combined amount calculated using both tests.

However, you must pass both tests and **the amount of Age Pension you are paid is based on the test that gives you the lower amount.**



This is best explained using an example.

Example 1

Sarah is a single homeowner who is eligible for the Age Pension. She has $320,000 worth of assets. She therefore exceeds her full Age Pension assets limit by $52,000 (ie. $320,000 minus $268,000).

This reduces her fortnightly pension entitlement by $156 using the '$3 per $1,000 of excess assets' rule (ie. 52 multiplied by $3).

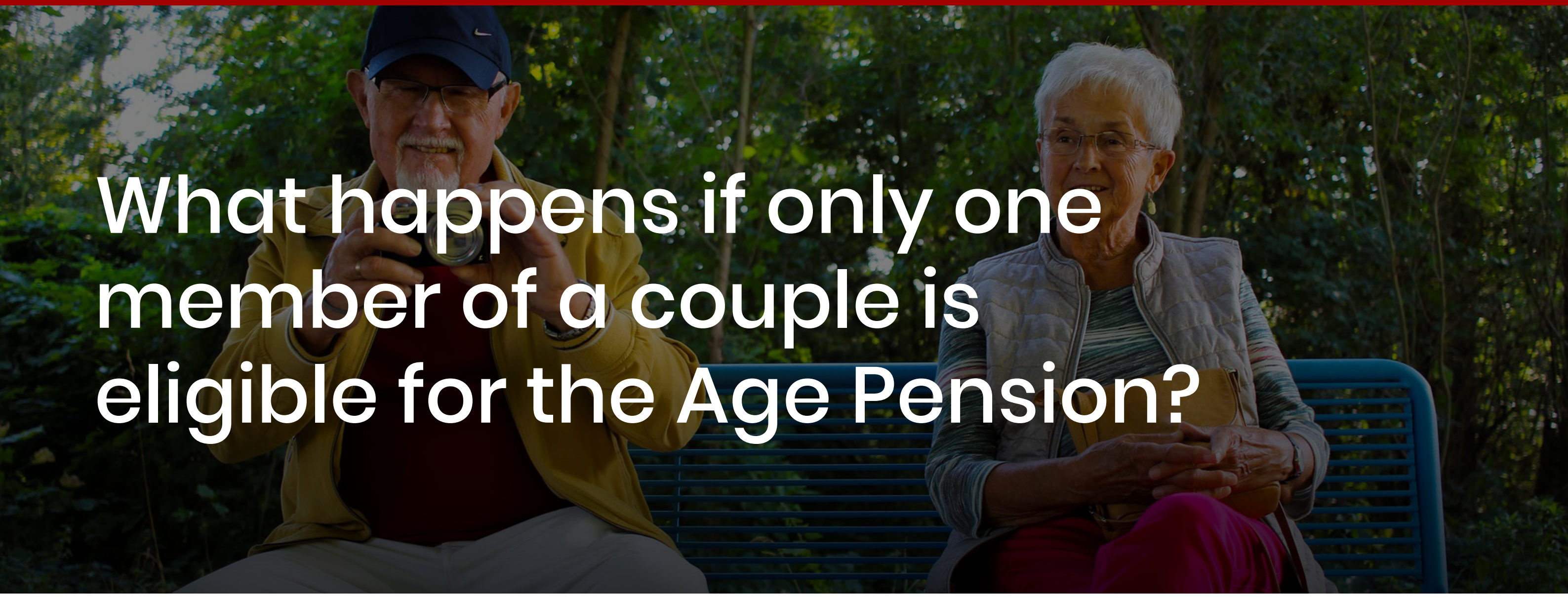
Sarah also exceeds the Age Pension income test limit for a single person because she earns $358 per fortnight. Her income is assessed as $58 per fortnight after the $300 work bonus is applied.

Sarah also has deemed income from her financial assets. While she has $320,000 of total assets, only $300,000 of those are financial assets which deemed income is calculated from. Her deemed income is $219 per fortnight, so along with her work income her income is assessed as $277 per fortnight.

$277 per fortnight is $99 over her income limit (ie. $277 minus $178) and her Age Pension would be reduced accordingly by $49.50 using the income test calculation method (ie. 50 cents for every dollar she earns over her limit).

In Sarah's situation, her Age Pension will be reduced by the greater reduction - that is the amount from her Assets test calculation. In other words, her fortnightly pension would be reduced by $156. The $49.50 reduction obtained using the income test calculation method would not be applied to her Age Pension at all.

Sarah would therefore receive a maximum base rate of $712.60 per fortnight ($868.60 minus $156). Her pension supplement would be reduced proportionally to $43 per fortnight.



What happens if only one member of a couple is eligible for the Age Pension?

This is a common question. Does the person who is eligible receive the single rate or half of the combined couple rate?

The answer is half the combined couple rate and is best illustrated with another example.

Example 2

Bill reached the current Age Pension age of 66 years in January 2020. He meets the Age Pension residency requirements and passed both the assets and income tests, not reaching the lower thresholds of either one.

He is therefore eligible for the maximum Age Pension. However, his partner Sue is only 62 and she is therefore not yet old enough to be eligible for the Age Pension.

Bill would be entitled to the maximum Age Pension of $654.40 for each eligible person in a couple living arrangement.

He would also be entitled to the maximum pension supplement of $52.50.

He would not be eligible for the energy supplement because this is only available for people who had a Commonwealth Seniors Health Card before 20 September 2016.

Age Pension calculator

To help with understanding how much you may receive SuperGuide Premium has a simple Age Pension calculator so you can estimate how much you might be eligible for.

Age Pension calculator	
Are you single or part of a couple?	Single
Do you own your own home?	Yes
Single homeowner	
ASSETS TEST	
Do not include the value of your home	
Value of your non-financial assets	$30,000
Value of your financial investments	$450,000
Total value of assessable assets	$480,000
INCOME TEST	
Deemed income (annually, from financial investments)	$9,089
Your employment income (annually)	$23,000
Other income (annually)	$–
Total annual assessable income	$24,289
AGE PENSION ESTIMATE	
Per PERSON per fortnight	$308.30
Per PERSON per year	$8,016

Click here to access the calculator

How does super affect your Age Pension?

Your superannuation can potentially affect how much, if any, Age Pension you receive in several ways.

It's important to note that when you reach Age Pension age your super will count to both the assets and income tests.

The balance of your latest super statement is included in the Age Pension assets test.

In addition, **deemed income** from your super balance is included in your income test calculations **even if you have not started a pension or income stream**. This means you'll be assumed to be earning a certain rate of return on your super pension account balance (ie. the deeming rate), regardless of the actual return you are earning.

> **Note:** If you were claiming the Age Pension and started a super income stream before 1 January 2015 then deemed income from your super balance is not included in the income test.

Deeming is also applied to your income from all other financial assets as part of the Age Pension income test.

When can I access my super?

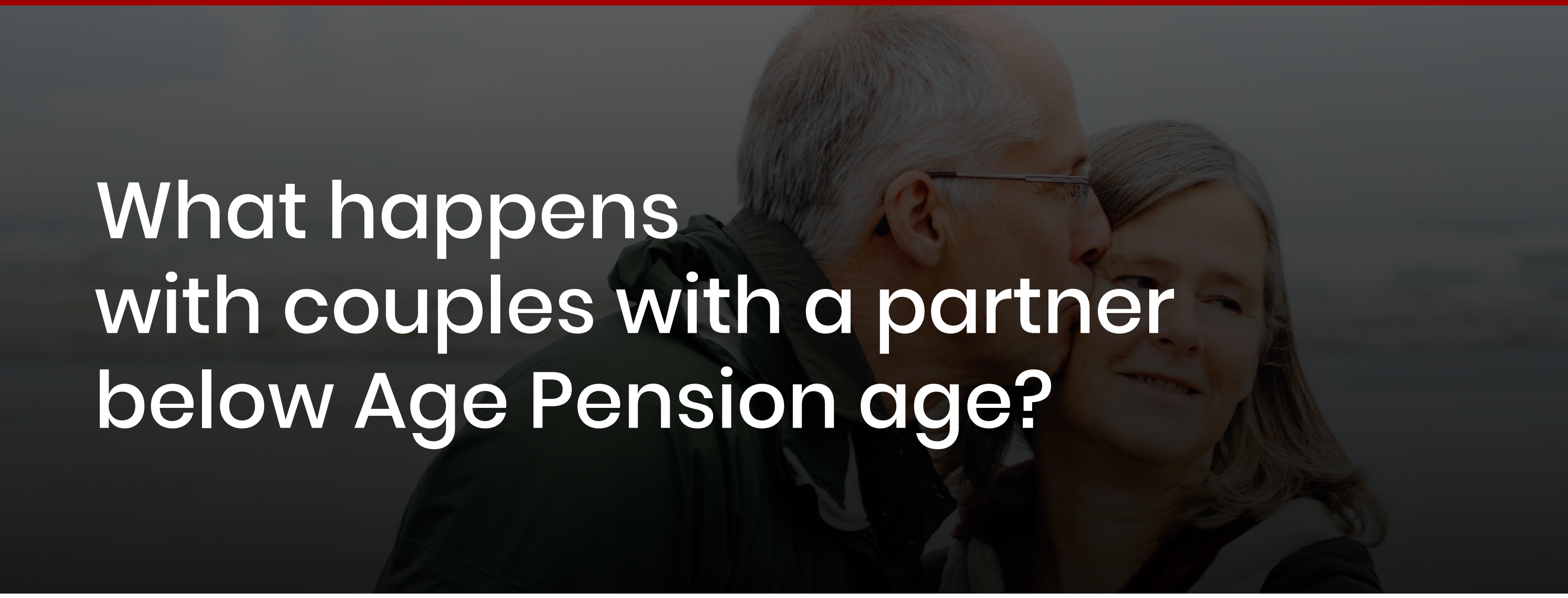
You can access your super once you have reached your **preservation age** and satisfied a **condition of release** (such as retiring from the workforce or turning 65).

Your superannuation preservation age is between the ages of 55 and 60, depending on your date of birth as outlined in the table below. It shouldn't be confused with your Age Pension eligibility age.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

You can discover your Age Pension age and preservation age with our **Retirement age** calculator.

If you can't access your super after you reach your Age Pension age, you can apply to Centre link to potentially have your super exempted from both the asset and income tests.



What happens with couples with a partner below Age Pension age?

For a couple with a younger partner below Age Pension age, the younger partner's super won't be counted in their assets and income tests unless they have started receiving a super pension, income stream or annuity that commenced after 1 January 2015. Super pension income streams are available tax-free to anyone in Australia who is over the age of 60 and meets a super condition of release.

The value of the younger partner's assets is included in the older partner's assets test and their income is also included in their income test, even though the younger partner won't be receiving the Age Pension.

There are higher thresholds in both tests for couples. If one member of a couple receives the Age Pension, they receive half the Couple rate, not the Single rate.

Once the younger partner reaches Age Pension age their super will be counted to both the assets and income tests, even if they haven't started to take a super income stream, but the younger partner can then also apply for the Age Pension themselves.

Example 3

Margaret is under the Age Pension eligibility age, but her partner Peter has reached it. Neither of them has started a super pension.

Peter's super will be included in their combined assets test, but not Margaret's (though her other assets would be). Peter's deemed super income would also be included in their income test.

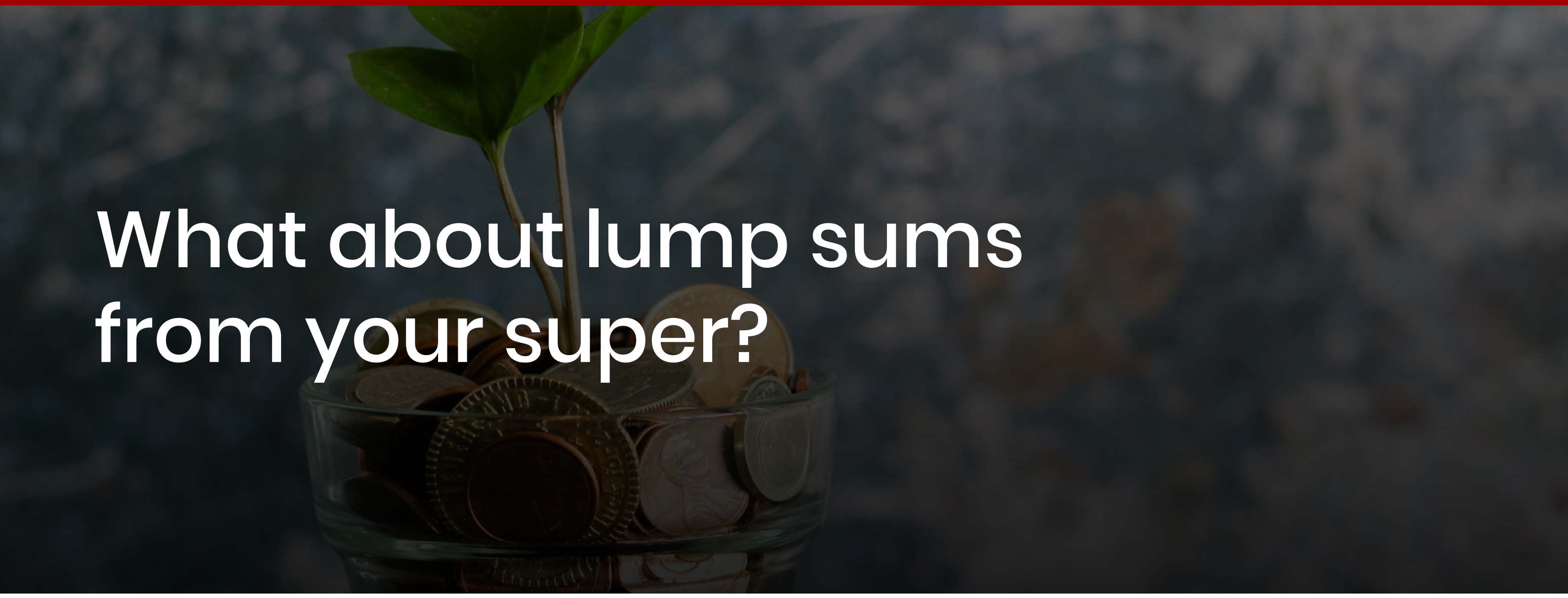
When Margaret reaches her Age Pension eligibility age, her super balance will be counted in their combined assets test. Her deemed income would also be included in their income test.

Example 4

Laura is under the Age Pension eligibility age, but her partner Jim has reached it.

Laura started a **transition-to-retirement income stream** last year.

Because she has done this, her super balance would be included in their assets test (along with Jim's), and her deemed income would also be included in their income test (along with Jim's).



What about lump sums from your super?

If you withdraw a super lump sum, the lump sum does not count as income for the income test, but what you do with those funds can affect your Age Pension. These funds could potentially be included in your asset and income tests.

For example, if you use your super funds to buy an income stream like a super pension or an annuity, the investment balances of those types of products will have the deeming rate applied to them for income test calculation purposes.

If you invest the funds in assets (other than your residential home), they'll be included in your assets test. It's important to remember that your residential home is not included in the Age Pension assets test.

Below are some other common examples of the treatment of lump sums, depending on how they are spent or invested.

Example 5

Terry withdraws $50,000 from his super as a lump sum and uses it to pay off his mortgage so he becomes debt-free.

This amount will not be included in his asset or income tests.

Example 6

Michelle withdraws $100,000 from her super to buy shares.

This amount will be included in both her assets and income tests for the Age Pension. The value of the shares will be added to her assets for the assets test.

She will also be assumed to earn the deeming rate when calculating income she earns from the shares as part of the income test, regardless of whether the returns she receives are higher or lower than the deemed amount.

Example 7

Grant withdraws $20,000 as a lump sum from his super and puts the money in his bank account to help with day-to-day living expenses.

This amount will be added to the value of his assets for the assets test. He will also be assumed to earn the deeming rate on these funds for income test calculation purposes.

How do I apply for the Australian Age Pension?

The following guide has been prepared by Regan Welburn a financial adviser with Marathon Financial Planning. Regan previously worked for Centrelink as a Financial Information Service Officer and has an intricate knowledge of the Social Security system.

We've all heard of the horror stories of people waiting longer than 6 months for their Age Pension claims to be processed by Centrelink.

When you submit an Age Pension claim you're joining a queue a mile long and getting it right the first time can save an incredible amount of time and frustration.

When can you claim for the Age Pension?

You are able to claim for the Age Pension 13 weeks prior to turning Age Pension age however this may not always be the best option. The best timing of your claim submission will depend on if you're still working, have any upcoming overseas travel and if you have structured your assets to maximise entitlements already.

If you submit your claim on the day you turn Age Pension age, in most cases you'll be waiting between 2 weeks and 2 months to be paid. The caveat to this is that you have provided all of the necessary documentation to support your claim in the format that Centrelink demands (they are pedantic about the supporting evidence – we'll go into this later).

In most cases, Centrelink will back pay you for the time taken to process your claim (from the date of submission to the date of grant).

If you lodge a claim after you reach your Age Pension age (because you were still working, or forgot to apply) Centrelink will not back pay you to you when you reached Age Pension age (only to your claim submission date).

The back pay is great because you don't miss out on payments for the time taken to process your claim however, it's a good idea to set aside 3 months of living costs in your bank accounts. The point to remember is – **do not expect to be paid immediately…** it's a slow process when it comes to your payments being granted.

The Age Pension can be claimed online through a MyGov account. For those of you who are unaware what **MyGov** is – it is an online portal that is the home for the majority of your Government services (ATO, Medicare, Centrelink, Department of Veteran Affairs, Aged Care). For those of you who do not have a computer or are not tech savvy there is an option to still use the paper-based Age Pension claim. The writing is on the wall… these will eventually be phased out.

Utilising MyGov provides a guided Age Pension process and is quite user friendly. I certainly recommend claiming this way as opposed to paper based.

Note: The process below is different if you are already receiving payments and decide to transfer to the Age Pension. We cover that in more detail (click here to sign up)

Here are the 3 steps for claiming your Age Pension

1. Open a MyGov account
2. Complete your Confirmation of Identity with Centrelink
3. Submit your Age Pension claim online via your MyGov account

We'll now go through the nuts and bolts of each step to make life easier for you.

1. Open a MyGov account

- Go to **my.gov.au**
- Click 'create an account' and follow the steps to establish a new account.
- Remember your username and password (keep these safe for future reference).

***NOTE**– You are only allowed to use one email address per MyGov account. For couples, you will need to have separate email addresses and separate MyGov accounts.

2. Complete your confirmation of identity with Centrelink

- Head into your local Centrelink office, let the customer service officer know you're going to be claiming the Age Pension and need to complete the ID check.
- Ask the staff member to provide you with your Centrelink CRN (Customer Reference Number). Write this down and keep it safe.
- Ask the staff member to **CONFIRM YOUR IDENTITY** – To complete this process you will need to provide your driver's license, passport and a bank card or ATM card ***must provide originals, not copies*** If you do not have the listed documentation please click on **this link** for other forms of acceptable documentation.
- Please ask the staff member to provide you with a **MYGOV LINKING CODE** (write this down and follow the next step to complete activation of your MyGov account).
- When you get home: Login to your MyGov account and click on the 'link a service tab'. Follow the procedure to link Centrelink by utilising the MyGov linking code you obtained on your visit to Centrelink. If you get stuck you can call MyGov on 132 307.

This will complete the establishment of an online account with Centrelink and will satisfy the identification requirements (you will never have to go into Centrelink ever again).

3. Submit your Age Pension claim online via your MyGov account

You will need to log into your MyGov account and click on the Centrelink icon now that it has been linked to your account.

Click on the 'make a claim' icon and follow the link to claim the Age Pension.

There are two types of information that you're going to be providing with your claim – your personal information and your financial information.

Here is an overview of what to have ready. This is not an exhaustive list but covers what is required for 95% of Age Pension claims. Some claims can be quite complex depending on your situation.

Personal Information

- Your Customer Reference Number.
- Your Tax File Number.
- Passport if you have ever traveled overseas.
- Citizenship details or visa details if you weren't born in Australia.
- Bank details for the account you would like your pension payments to be paid into.
- Accommodation details (your living arrangements).

Financial Information

1. Current bank balances (showing account holders names and account numbers). These are best obtained from your bank (ATM slips are not accepted by Centrelink). The balance shown must be within 14 days of application.
2. Current superannuation statement (showing account holder, account number, superannuation provider, investment options and units owned in each investment option). The balance shown must be within 14 days of application.
3. Current Income Stream Schedule for any income stream you have (allocated pension, annuity, superannuation income stream). These are obtained from your super fund. If you have an SMSF you will need to complete the SA330 form – this is a doozy, you may require professional assistance to complete this.
4. If you have a self-managed super fund (SMSF) provide your most recent SMSF tax return. Only required if your super fund is in the accumulation phase. If you are in the pension phase please complete the SA330 form listed above.
5. Share statements (latest share dividend statement is acceptable, must show company and number of shares owned and who owns them, for example you, your partner or jointly owned).
6. Current managed fund statements (showing account holders name, account number, investment options and units owned in each investment option). The balance shown must be within 14 days of application.
7. 2 most recent payslips (if you are currently working as an employee).

8. Latest full personal income tax returns (if you are own an investment property, run a sole trader business or a partnership). Financial statements for the business will also be required (balance sheet, profit and loss statement, depreciation schedule and notes supporting the financials)
9. Details about any investment property or holiday home that you have (council rates notice, tax return). Centrelink will require the rental property schedule in your tax return along with the completion of a MOD R form. If you have a loan on the investment property please provide a current mortgage statement showing the balance owed along with the original loan documentation showing the properties used as security for the loan.
10. Latest company or trust and personal income tax returns (if you are involved in a private company or trust). Financial statements will also be required (balance sheet, profit and loss statement, depreciation schedule and notes supporting the financials).
11. Current overseas (foreign) pension details. This should be documentation from the overseas pension department showing your regular payments in their currency.
12. Compensation documentation for any lump sums or ongoing payments you have received or are still receiving. The completion of a MOD C form will also be required.

At the end of your Age Pension claim you will be required to upload scanned images of your financial information to support your claim. Once this has been uploaded then you will click ‘submit’ and your claim joins the queue.

Now it will be a matter of just waiting for Centrelink to process your claim. The processing times vary wildly depending on the demand and their resources at any point in time.

The silence can be deafening while you’re in the queue and Centrelink will not advise you where you are in relation to expected processing times.

There are only three different types of communication you’ll receive from Centrelink after submitting your claim.

1. Your Age Pension has been granted (perfect)
2. You are required to provide more information
3. Your Age Pension has been declined (due to exceeding the income or assets test)

If you are required to provide more information try to get this back to Centrelink immediately. It will help save any further back and forth.

If your Age Pension application has been declined it is a good idea to call Centrelink on 132300.

The rejection letters provide minimal information. The only way to find out why you've been rejected is to call. It may be a simple mistake by Centrelink that has caused the rejection that can easily be rectified over the phone.

Alternatively, you can wait until your financial situation changes and falls within the acceptable limits to submit a new application.

Claiming the Age Pension is quite an epic process and a time consuming one at that. After everything is in place you can enjoy your retirement! Be sure to advise your utility providers that you have your concession card to obtain any discounts.

You will need to notify Centrelink of any changes to your circumstances when you are in receipt of the Age Pension. Now that you have a MyGov account this can easily be achieved by updating your situation via the 'My Profile' or 'Income and Assets' section.

Note: The process is different if you are already receiving payments and decide to transfer to the Age Pension – see **this link** for more information.

Maximising your Age Pension

Regan has also provided some tips on how to maximise your Age Pension entitlements in the following video.

Seek professional advice

This concludes The Beginners guide to the Age Pension, and it's important to remember that the information in this guide is of a general nature only and cannot be considered financial advice. Everyone's financial situation is different and it's important to seek professional accredited personal financial advice when considering whether the information is suitable to your personal circumstances.

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