

Social Security – Pension Income and Assets Tests - Services Australia

Pensions paid by the Services Australia are subject to income and asset testing unless you are permanently blind.

You may be entitled to the full pension if your assets and income are below the lower thresholds for both tests and meet all other eligibility requirements. Conversely, if your assets or income exceed either of the upper thresholds, you will not be entitled to any pension. However, if your assets or income fall within the relevant threshold range, you may be entitled to a part pension.

Both an income and assets test will be applied to determine the rate of payment you're entitled to. Your actual entitlement will be the lower of the amounts calculated under either the income or assets test.

Assets test

Under the assets test, Services Australia generally uses the net market value of your assets which is the amount the asset can be sold for, less any debts that are secured against that asset. All assets owned by you and your spouse are assessed.

This includes most investment assets (such as shares, managed funds, superannuation and investment properties), plus personal assets such as motor vehicles and home contents. It could also extend to any formal or informal interests you have in trusts or private companies.

Importantly, your family home is not included in the assets test. Some other types of investments may be exempt (such as funeral bonds within allowable limits).

Your assessable assets are then assessed against the assets test thresholds. The thresholds that apply depend on whether you are single or a member of a couple, and whether or not you own your home. For every \$1,000 worth of assets that you own in excess of the lower threshold, your pension entitlement reduces by \$3.00 every fortnight (single or couple combined). Your entitlement under the assets test is reduced to zero (you'll have no pension entitlement at all) once your asset levels exceed the upper thresholds.

The thresholds for the assets test can be found on the following website: www.servicesaustralia.gov.au

Income test

Services Australia will also assess your income to determine your pension entitlement. All income attributable to both you and your spouse is assessed.

The way income is determined for this purpose depends upon the nature of the income or investment.

For example:

- Residential investment property: generally all of the net income (after allowable deductions) is assessed;
- Financial investments: 'deemed income' is calculated at set rates. The actual income derived is irrelevant, and it may be more or less than the deemed income. Financial investments include: bank accounts, shares, managed funds, superannuation held in accumulation after reaching age pension age, account-based pensions (unless grandfathered under deductible amount rules) and gifts that exceed the gifting thresholds.

If you have any involvement in a family trust or private company all of the income generated by that entity could be assessed as your income, depending on how the assets are assessed.

The income thresholds depend on whether you are single or a member of a couple. The current rates can be found on the following website: www.servicesaustralia.gov.au.

For every \$1 of income that you have in excess of the lower threshold, your Age pension entitlement reduces by 50 cents in the dollar (single or couple combined).

Risks, consequences and other important things to consider

These include:

- Assessable income for Services Australia purposes can be different to the actual income you receive and what is included in your tax return.
- If you are applying for an allowance, different income and asset test thresholds apply.
- Payments may be affected if you go overseas for extended periods of time. You should check details and let Services Australia before leaving the country.
- You are considered to be a couple if you are married or in a de-facto relationship (including same-sex) and living together on a permanent basis, regardless of how long this relationship has existed.
- An illness-separated couple rate applies where you are a couple but one or both have moved out of the home to receive care.
- You are required to tell Services Australia within 14 days about any change to your income or assets that may affect your payment. If you don't and you receive an overpayment, you will be required to repay this amount.

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