



Rebalancing the assets test

Fact sheet

With Australians living longer than ever before, the number of those aged 65 and over is projected to double by 2055.

It is critical that the social security system is able to meet this growth and continue to support those who need it, while encouraging those who can support themselves to do so.

Changes will make the pension system fairer, better targeted and sustainable for the future.

The maximum rate of the pension will not be reduced, indexation arrangements will not change, and the family home will continue to be excluded from the assets test.

Rebalancing the assets test

From 1 January 2017, changes to the assets test will provide more support to people who do not own their home and those who have more modest assets, and less taxpayer support to those who have the capacity to support themselves because of the significant assets they own.

These changes recognise that the Age Pension is not intended to support those with higher levels of wealth to maintain their capital base.

More than 90 per cent of pensioners will either be better off or have no change to their pension. Those most affected will only have to draw down a maximum of about 1.8 per cent of their assets to make up for the loss of their part pension.

Pensioners who lose pension entitlement on 1 January 2017 as a result of the assets test changes will be automatically issued with a Health Care Card, and those over Age Pension age will also be issued with a Commonwealth Seniors Health Card, without having to meet the usual income test requirements.

Increase in the free areas

Under the assets test, pensioners will be able to own the following assets, excluding the family home, without affecting their pension (known as the free area):

- \$250,000 for a single homeowner

- \$375,000 for a homeowner couple (combined)
- \$450,000 for a single non-homeowner
- \$575,000 for a non-homeowner couple (combined).

As a result of this change, an estimated 171,500 part rate assets tested pensioners with modest assets will receive an average of \$30 per fortnight extra, including about 50,000 part rate pensioners who will qualify for a full pension.

Increase in the taper rate

The taper rate is the rate at which the pension reduces for savings and assets over the free area.

It will be increased from \$1.50 to \$3 per fortnight, meaning that the pension will reduce by \$3 per fortnight for every \$1,000 of assets over the free area.

Because the changes include an increase in the free area as well as an increase in the taper rate, only pensioners paid under the assets test who have assets over the following amounts will receive a reduced pension:

- \$291,000 for a single homeowner
- \$453,500 for a homeowner couple (combined)
- \$539,500 for a single non-homeowner
- \$702,000 for a non-homeowner couple (combined).

The pension will no longer be payable for people who have assets over the following amounts:

- \$542,500 for a single homeowner
- \$816,000 for a homeowner couple (combined)
- \$742,500 for a single non-homeowner
- \$1,016,000 for a non-homeowner couple (combined).

More information

The Department of Human Services runs Financial Information Service (FIS) seminars to help you make informed decisions about investment and financial issues for your current and future needs. Seminars about changes to the assets test are being run across Australia. These sessions are free, and you can book a place via the Human Services website – www.humanservices.gov.au/fis

For more information about how these changes might affect your income support payment, please go to humanservices.gov.au/rebalanceassets