Fact File

Centrelink assessment of account based pensions

The way account based pensions are assessed under the Centrelink/DVA income test changed from 1 January 2015. From this date, there will be two categories of account based pensions (ABPs) – those that are grandfathered under the pre-2015 income test treatment and those that are subject to deeming.

What is an account based pension?

An account based pension (or allocated pension) can only be purchased with your superannuation money and provides you with a regular income stream for your retirement. You can choose the amount of income you wish to receive each year as long as it's above a minimum amount based on your age and account balance. You will also have access to the capital of the pension at any time.

How account based pensions were treated prior to 1 January 2015

Under the Centrelink and Department of Veterans' Affairs (DVA) income test, only annualised pension payments exceeding the deductible amount are assessable. The current treatment often results in a more favourable income test treatment compared to other financial investments, which can lead to higher social security payments.

What changed from 1 January 2015?

From 1 January 2015, the income test rules for account based pensions changed so that account based pensions will be assessed in the same way as other financial investments. The income test will include an assumed level of income from your account based pension, based on your account balance.

This new treatment will generally only affect account based pensions started on or after 1 January 2015. Pensions commenced before this date will continue to retain the current income test treatment provided you were receiving a Centrelink/DVA income support payment at 1 January 2015 and continue to receive payments.

How will account based pensions be treated after 1 January 2015?

From 1 January 2015, account based pensions will be categorised into two different categories:

Account based pensions – that is subject to deeming

- Commenced on or after 1 January 2015; or
- Commenced prior to 1 January 2015 however one of the following applies:
  - You were not in receipt of a Centrelink/DVA income support payment on 1 January 2015; or
  - You have ceased to receive a Centrelink/DVA income support payment since 1 January 2015.
- Commenced on or after 1 January 2015 as a result of death of another person and you were not the reversionary beneficiary of the deceased.

Account based pensions – assessed under the pre 1 January 2015 rule

- Commenced prior to 1 January 2015 and you were in receipt of a Centrelink/DVA income support payment on 1 January 2015 and continue to receive payment; or
- Commenced on or after 1 January 2015 as a result of the death of another person and you were the reversionary beneficiary and, when the pension reverted to you, you were and continue to be in receipt of a Centrelink/DVA income support payment.

As previously stated, any new pensions commenced on or after 1 January 2015 will be assessed under the new deeming rules. Furthermore, if the following changes are made to an existing pension on or after 1 January 2015, a new pension will be established and will be subject to the new income test (subject to deeming):

1. Changing account based pension providers (including moving from or to a self-managed superannuation fund)
2. Consolidating multiple account based pensions
3. Commencing a new death benefit pension
4. Adding to a pension (as the legislation prohibits the addition of capital after commencement, a recommencement will be required to top up a pension). You will also lose the grandfathered status on your pre-2015 ABP if your Centrelink/DVA income support payment ceases. Even if you resume receiving an income support payment shortly afterwards, as long as there is a gap in payment, grandfathering will be lost. There are many ways to lose entitlement to an income support payment. Essentially anything that results in a spike in income or assets above the cut-off thresholds or failure to meet ongoing eligibility criteria may cancel the payment. You should speak to your financial adviser if your circumstances changes and you are concerned it may affect your Centrelink/DVA entitlement.

Commonwealth Seniors Health Card

The Commonwealth Seniors Health Card (CSHC) provides a range of benefits, such as discounts on certain pharmaceuticals, to self-funded retirees who do not qualify for the Age Pension but have an adjusted taxable income of less than $51,500 pa for singles or $82,400 pa (combined) for couples. From 1 January 2015, account based pensions will be subject to deeming under the CSHC income test. However, account based pensions will be grandfathered and remain under the current rules, that is, not included in the income test (assuming paid from a taxed super fund), if you meet the following criteria:

- Holder of a CSHC immediately before 1 January 2015 and continuously in receipt of the CSHC
- Commenced the account based pension before 1 January 2015

Speak to us for more information

If you would like to know more about residential aged care, talk to your Count Financial adviser. They can give you more detailed information on the best approach for your situation.

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