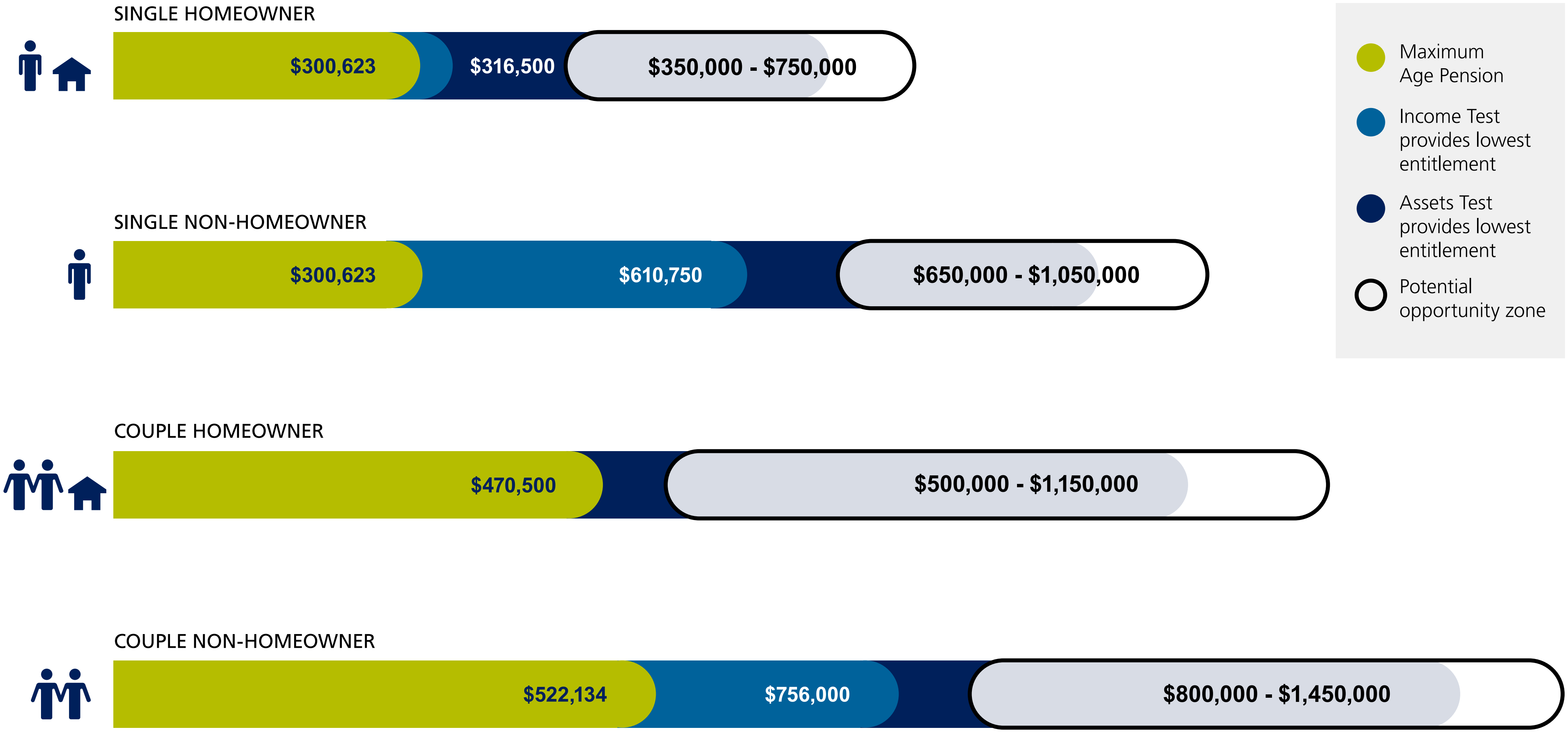
Identifying opportunities among your clients

Clients who may benefit under the Age Pension assets test from a lifetime income stream investment



* Centrelink rates and thresholds as at 20 September 2024. Challenger lifetime annuity rates as at 20 September 2024 for a 67 year old male (singles) and female. Assumes all assets are financial assets and there is no other income. Opportunity zones are based on a $100,000 investment (lower range) and 30% allocation (upper range) to a lifetime annuity, rounded to nearest $50,000. The zones are a guide and used for illustrative purposes only. Age Pension outcomes depend on personal circumstances and can change over time.

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A client's eligibility for a full or part Age Pension is based on the level of their assessable assets and income. This means that the value of their assets (excluding the family home), and income must be lower than threshold limits.

Assessable assets above the allowable thresholds will reduce the Age Pension by $3 per fortnight for each $1,000 of assessable assets. Assessable income above the allowable thresholds will generally reduce the Age Pension by 50 cents for each dollar of income. The means test producing the lower Age Pension entitlement determines the rate of the Age Pension payable.

Understanding the dominant means test can help with identifying suitable strategies to improve Age Pension outcomes.

Investing in a lifetime annuity may help boost your client's Age Pension and provide income for life

The assets test for lifetime income streams may help some clients improve their Age Pension eligibility. As of 1 July 2019, lifetime income streams that meet certain rules and have commenced from that date have 60% of the purchase price assessed as an asset until age 84[1] – or a minimum of 5 years. It then falls to 30%.

If a client[2] who only receives a part Age Pension because of the assets test reduces assets by $1,000, their Age Pension will increase by $78 p.a. For example, investing $100,000 in a lifetime annuity reduces assessable assets by $40,000[3] increasing the Age Pension by $3,120 p.a.[2] (40 x $78 p.a.).

Understanding the zones

The Opportunity Zones chart gives you a quick snapshot of Age Pension eligibility and the dominant means test determining the rate of Age Pension payable.

It includes four categories of Age Pension recipients: single homeowner and non-homeowner; and, couple homeowner and non-homeowner. The chart illustrates the different income and asset levels where retirees are likely to be eligible for:

- the maximum rate of Age Pension (shown in green);
- a part Age Pension – reduced because of the income test (shown in light blue);
- a part Age Pension – reduced because of the assets test (shown in dark blue); or
- a self-funded retirement (with assets above the level indicated by the end of the dark blue bar).

Through retirement, eligibility for part or full Age Pension can change based on changing income and assets over time and indexation of Social Security rates and thresholds.

Means testing opportunities

Homeowners who are single, for example, with assets of $350K to $750K and couples with assets of $500K to $1.15 million could qualify for some Age Pension, or increase the amount of Age Pension they receive in the first year, by investing in a lifetime annuity.

Higher net worth individuals or couples not currently eligible for the Pensioner Concession Card could benefit by qualifying for the Commonwealth Seniors Health Card which would entitle them to cheaper prescription medications and other discounts on everyday expenses.

See if your clients are eligible for more Age Pension today

Use our Age Pension Illustrator or let us crunch the numbers for you, to see if you can help improve your client's Age Pension outcomes.

To find out more:

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1. These rules link this initial assets test assessment to a period equal to the life expectancy of a 65 year old male at the commencement of the income stream, currently age 84. This will change from time to time with newlife tables.
2. Assumes client remain assets test sensitive throughout any comparison period. Applies to singles and couples combined.
3. Reduction from purchase price and/or alternative strategy where capital is maintained. New rules for the means testing of lifetime income streams came in on 1 July 2019. Challenger products treated this way will include:Challenger Lifetime Annuity (Liquid Lifetime) and Challenger CarePlus annuity.