

## The rules for Government pensions are changing

On 20 September 2007, two important changes will be made to the way pension payments are calculated. These changes mean that:

- If you currently receive a reduced Government pension, you may be entitled to an increased payment.
- If you are currently ineligible for a Government pension, you may qualify to receive a payment.

### **What are the changes?**

The two changes that apply from 20 September 2007 are:

- 1 The 50 per cent assets test exemption will no longer be available for complying income streams purchased on or after that date.
- 2 The pension assets test taper rate will be halved from \$3.00 to \$1.50 per fortnight for every \$1,000 of assets above the lower assets test threshold.

Altering the assets test taper rate means the cut-off thresholds for a Government pension will increase. This means that you can have a higher level of assets and still receive a pension payment.

Importantly, these changes relate only to the Government's assets test. Eligibility for a pension is determined on the basis of separate income and assets tests. The test that results in the lower rate for your individual circumstances will apply.

The current and the new limits are listed in the table opposite.

## Act before 20 September 2007 to maximise your retirement income

The Government's changes present an opportunity to review your retirement strategy and maximise your pension entitlement by taking advantage of the existing rules before they change on 20 September 2007.

Anyone who receives a part pension, which is restricted by the assets test, may receive a boost to their payment. It may be possible to increase your pension entitlements further by purchasing a complying income stream before 20 September 2007.

If you do not currently receive a pension and could likely qualify for the first time due to the reduced assets test taper rate, you will need to apply. It could also be possible to increase entitlements by purchasing a complying income stream before 20 September 2007.

### AXA's complying income streams

**Term allocated pension** – invests superannuation benefits and certain employer termination payments to provide:

- exposure to a range of assets, such as shares, property, fixed interest and cash, and
- a choice of payment frequencies including monthly, quarterly, half-yearly or yearly.

**Term and lifetime annuities** – provide guaranteed income security for a select term:

- Terms from 1 to 25 years, or for life.
- Fixed rate of return commensurate with a low level of risk.
- Income payments can be increased by an annual fixed percentage or to counter inflation.

## Changes to the Government assets test thresholds

Family situation	Lower threshold (for full pension allowance)	Upper threshold (pre-20 September 2007)	Upper threshold* (from 20 September 2007)
Single, homeowner	\$166,750	\$343,750	\$520,750
Single, non-homeowner	\$287,750	\$464,750	\$641,750
Couple (combined) homeowners	\$236,500	\$531,000	\$825,500
Couple (combined) non-homeowners	\$357,500	\$652,000	\$946,500

\* Upper threshold based on current maximum pension entitlement as at 1 July 2007. Under existing rules, pension entitlement would cease when assets exceed the upper threshold.