

Muirfield Advisers



Hayden
Torney



Melinda
Planken



Tamara
Carman



Matthew
Torney

Disclaimer

Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Before making any decisions on the basis of this communication, you should consider the appropriateness of its content having regard to your particular investment objectives, financial situation or individual needs. Please seek personal advice from a Certified Financial Planner prior to acting on this information. Rates and figures used in relation to Centrelink are current as at 20 March 2016 and will change over time.

Muirfield Financial Services Pty Ltd ACN: 060 693 405 is the holder of Australian Financial Services Licence No. 243287 and is an approved Professional Practice of the Financial Planning Association of Australia Ltd.



Understanding the Centrelink changes



PRESENTED BY
MELINDA PLANKEN

Agenda

1. Centrelink
2. Centrelink Changes
3. How will this impact me?
4. What can I do?
5. Challenger Annuities
6. Question time

Centrelink

Provides income support and concession entitlements via various payments and concession cards.

- Age Pension
- Disability Support
- NewStart Allowance
- Widow Allowance
- Carer Payment
- Carer Allowance
- Family Benefits
- Pension Concession Card
- Commonwealth Seniors Health Card
- Low Income Health Care Card



Age Pension

To be eligible for Age Pension Centrelink will look at the following-

- Your age
- Residency status
- Assets and Income (known as a Means Test)

Means Test

Incorporates both an Income Test and the Asset Test.

Centrelink apply both tests and your rate of payment is determined by the test that provides you with the lowest payment rate.

Over time as your circumstances change you may alter between the Asset Test or Income Test.

Keep in mind- If you are a member of a couple, they will count your combined income and assets, irrespective of who owns the asset and who is claiming an entitlement.

Assets

What is considered an asset?

- Non financial assets like household contents and cars/caravans
- Bank accounts
- Term Deposits
- Direct shares
- Investment Property
- Superannuation if you are over Age Pension age or if you commence an account based pension
- Gifting above the allowable amount

Exempt Assets

The following Assets are not assessed by Centrelink-

- Your Home
- Superannuation if you are under Age Pension
- Gifting of \$10,000 or less per financial year (max 3 years)
- Pre paid funeral or burial plot

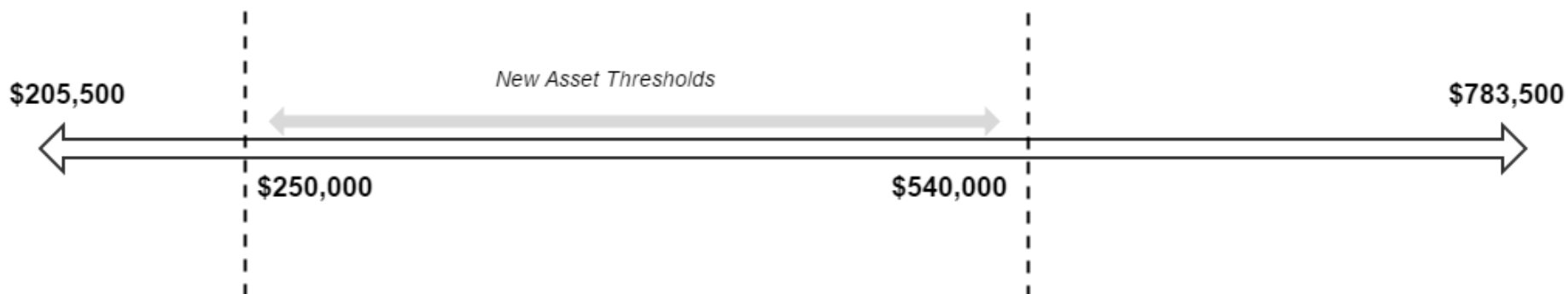
Income

What is considered income by Centrelink?

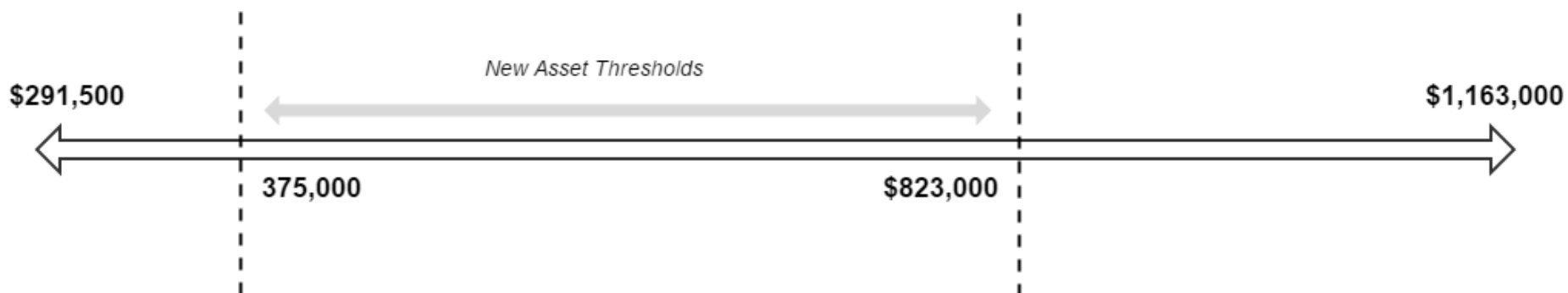
- Employment income less “work bonus” for those working while on Age Pension.
- Partners employment income
- Rental property income
- Deemed Income

2017 Changes

Single homeowner:



Couple homeowner:



How Will This Impact You?

Single Homeowner:

Current Rate (pf)	1 Jan '17 (pf)
\$800	\$873.90
\$750	\$768
\$700	\$663
\$650	\$558
\$600	\$462
\$550	\$363
\$500	\$259
\$450	\$159
\$400	\$64
\$370	\$0

Couple Homeowner:

Current Rate (each pf)	1 Jan '17 (each pf)
\$600	\$658.70
\$550	\$569
\$500	\$471
\$450	\$366
\$400	\$270
\$350	\$171
\$300	\$70
\$260	\$0

What can you do?

There are a number of strategies available that may enable you to reduce your assets.

These include:

1. Gifting within the allowable limits
2. Purchasing a Funeral Bond within the allowable limits
3. Contributing to super on behalf of a spouse who is not age pension age
4. Bring forward capital expenditure
5. Aged Care residents: paying the refundable deposit instead of a daily payment
6. Consider an Annuity

Gifting:

Centrelink imposes gifting limits of up to \$10,000 per financial year, with a maximum of \$30,000 over a rolling 5 year period.

Any amount exceeding this limit will continue to be assessed as your asset for the following 5 years.

Gifting: Example

Allan & Betty have \$600,000 in assets for Centrelink purposes. They gift their 2 children \$5,000 each in May 2016

Allan and Betty gift a further \$5,000 to each child in July 2016.

This reduces their assets by \$20,000 to \$580,000.

Should their assets remain unchanged, from 1 January 2017, it is estimated their Age Pension entitlement will reduce to \$334pf each. Should they implement the gifting strategy above, it is estimated their pension will only reduce to \$364pf each. This will provide them with additional income of \$30pf each.

Bring Forward Spending:

You may consider bringing forward some spending should your assets just exceed the upper threshold.

Example: As a couple you have \$850,000 in assessable assets and intend on spending \$40,000 on an upgrade to the kitchen and bathroom, in the next 12-18months. Organising these projects and paying for these expenses before 1 January 2017 will reduce your assets to \$810,000.

Your pension will still reduce from \$270 pf each to \$28 pf each (overall reduction of \$12,584pa). However by maintaining your entitlement you will also retain the Pensioner Concession Card.

Purchase a Funeral Bond:

A Funeral Bond within the allowable limit will be considered an exempt asset. Centrelink may not assess the value of up to two bonds, providing the following is satisfied:

- You have not prepaid funeral expenses
- The amount invested in the bond does not exceed the Funeral Bond Allowable Limited of \$12,250 (July 2015).

Should you purchase a Funeral Bond within the allowable limit, it will reduce your assets for Centrelink purposes by the purchase amount.

Burial plots are not an assessable asset regardless of its value. Centrelink do not record details of Burial plots.

Contribute to Super:

Re-structuring or contributing funds to super may provide a Centrelink benefit as superannuation in accumulation phase is not assessed towards the Income or Asset Test until you are of Age Pension age.

Contribute to Super: Example

John is 65, retired and has just become eligible to apply for the Age Pension. His wife Betty is 61 and retired. She is not eligible to apply for the Age Pension until 66.

John currently draws \$36,000pa from superannuation to meet their cash flow needs.

Their assets are as follows;

Asset	Value (\$)
House	450,000
Contents	20,000
Cars	20,000
Boat and Caravan	15,000
Bank Accounts	12,000
Shares	24,000
Superannuation	
- John	450,000
- Betty	60,000
Total	1,051,000

Contribute to Super:

The home and superannuation for those under Age Pension age (Betty) are not included in Centrelink assessment therefore John would be eligible for approximately \$471pf*.

Asset	Value (\$)
House	-
Contents	20,000
Cars	20,000
Boat and Caravan	15,000
Bank Accounts	12,000
Shares	24,000
Superannuation	
- John	450,000
- Betty	-
Total	541,000

*based on rates as at 1 January 2016

Contribute to Super:

However, by transferring John's superannuation to Betty they would only be assessed as having \$91,000 in assets.

Asset	Value (\$)
House	-
Contents	20,000
Cars	20,000
Boat and Caravan	15,000
Bank Accounts	12,000
Shares	24,000
Superannuation	
- John	-
- Betty	-
Total	91,000

This would result in a full Age Pension of \$658.70pf (\$17,126.20pa) – an increase of \$4,880.20pa.

Aged Care Residents

Should yourself or partner be looking to move into Aged Care within the coming months, you may consider making a lump sum payment towards the entry fee of the facility.

This is known as a Refundable Accommodation Deposit (RAD) and is an exempt asset for Centrelink purposes.

Investing in an Annuity

Purchasing an Annuity that has a reducing asset value may assist to increase or retain your Age Pension entitlement. Or enable you to reapply for a pension in the coming years.

Challenger Annuities

May 2016

Tahlia Cardamone

Business Development Manager

This information is current as at August 2015 unless otherwise specified and is provided by Challenger Life Company Limited ABN 44 072 486 938, AFSL 234670 (Challenger), the issuer of the Challenger Annuities (Annuity). It is intended to be general information only and not financial product advice and has been prepared without taking into account any person's objectives, financial situation or needs. Investors should, before making any investment decision, consider its appropriateness having regard to these matters and the information in the product disclosure statement (PDS) for the relevant Annuity before deciding whether to acquire or continue to hold an Annuity. A copy of the PDS is available at www.challenger.com.au or by contacting our Investor Services Team on 13 35 66.

Where examples, hypotheticals or case studies are used, they are used for illustrative purposes only. They are not to be relied on and do not reflect any person's particular objectives, financial situation or needs. This information may also include statements of opinion, forward looking statements, forecasts or predictions based on current expectations about future events and results. Any such statements are subject to change and actual results may be materially different from those shown. This is because outcomes reflect the assumptions made and may be affected by known or unknown risks and uncertainties that are not able to be presently identified. The taxation, Centrelink and Department of Veterans' Affairs (DVA) information and illustrations are based on current law at the time of writing which may change at a future date. Challenger is not licensed or authorised to provide tax, social security or DVA advice. We strongly recommend that professional taxation, social security and/or DVA advice for individual circumstances be sought. Past performance is not a reliable indicator of future performance.

In preparing this information, Challenger has relied on publicly available information and sources believed to be reliable, however the information has not been independently verified. While due care and attention has been exercised in the preparation of this information, no representation or warranty, either express or implied, is given as to the accuracy, completeness or reliability of that information. The information presented is not intended to be a complete statement or summary of the industries, markets, securities or developments referred to in the presentation. Neither Challenger nor their related entities, nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part or, or any omission, inadequacy or inaccuracy in, the information presented.

Where a person acquires or holds an Annuity, Challenger and its related parties will receive the fees and/or other benefits disclosed in the relevant PDS. Neither Challenger, its related entities nor their employees receive any specific remuneration for any advice provided. Financial advisers, however, may receive fees or commission if they provide advice to you or arrange for you to invest in a Challenger Annuity. Some or all Challenger Group companies and their directors may benefit from fees, commissions and other benefits received by another Group company.

What is an Annuity?

‘An annuity is a secure investment that provides you with a series of regular payments, either for a chosen term or for your lifetime, in return for a lump sum investment’

Security – You receive guaranteed regular payments regardless of share market movements and volatility

Flexible terms and payments - You can choose your investment term or for life

Senior’s benefits- Some annuities may help you access or increase your seniors’ benefits like the Age Pension

Case study

Tim and Sarah, couple, homeowners, \$620k in assessable assets

Tim and Sarah

Tim (aged 70) and Sarah (aged 65) are a couple and own their home

They have the following assets:

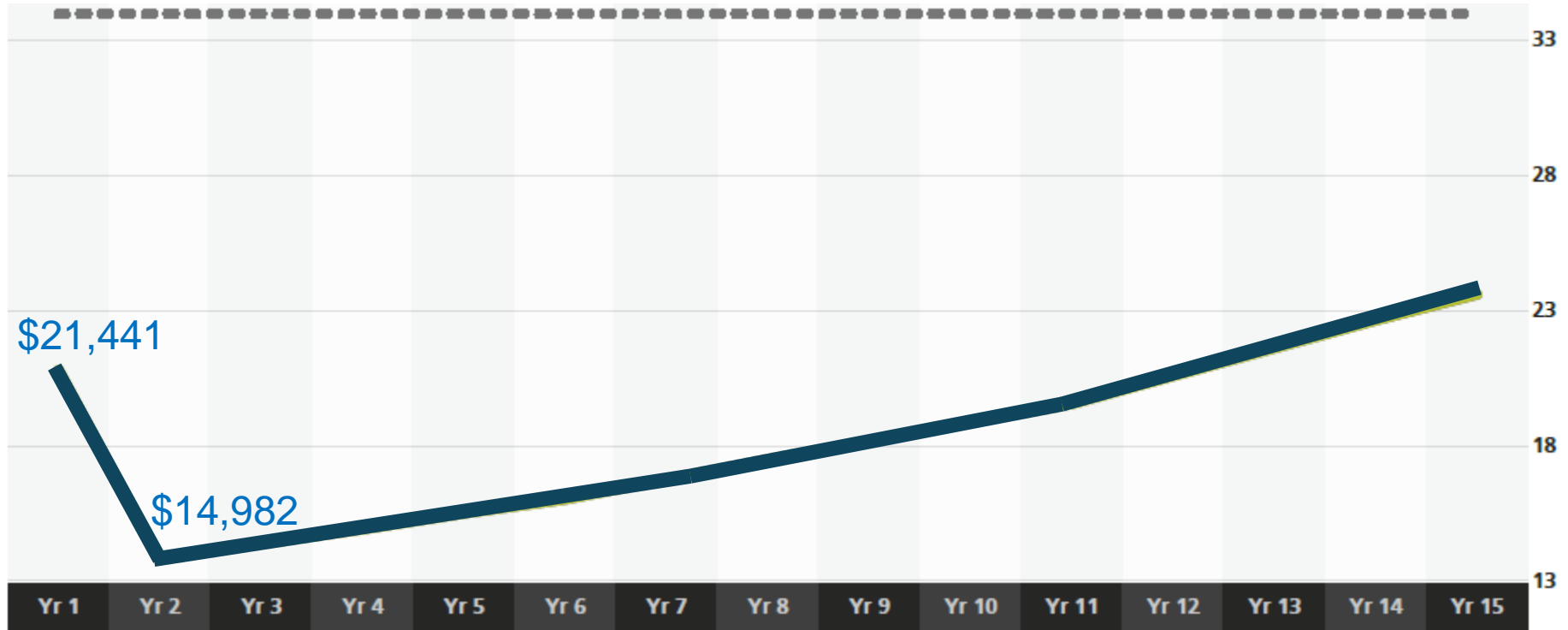
- \$200,000 each in account-based pensions both drawing the minimum pension payment of \$10,000
- \$200,000 sitting in cash
- \$20,000 in personal assets

Tim and Sarah are currently entitled to a combined Age Pension of \$21,441p.a.¹ under the Assets Test

1 Centrelink rates and thresholds as at 18th May 2016

Tim and Sarah

1 Jan 2017 Age Pension entitlement



Centrelink rates and thresholds as at 18th May 2016

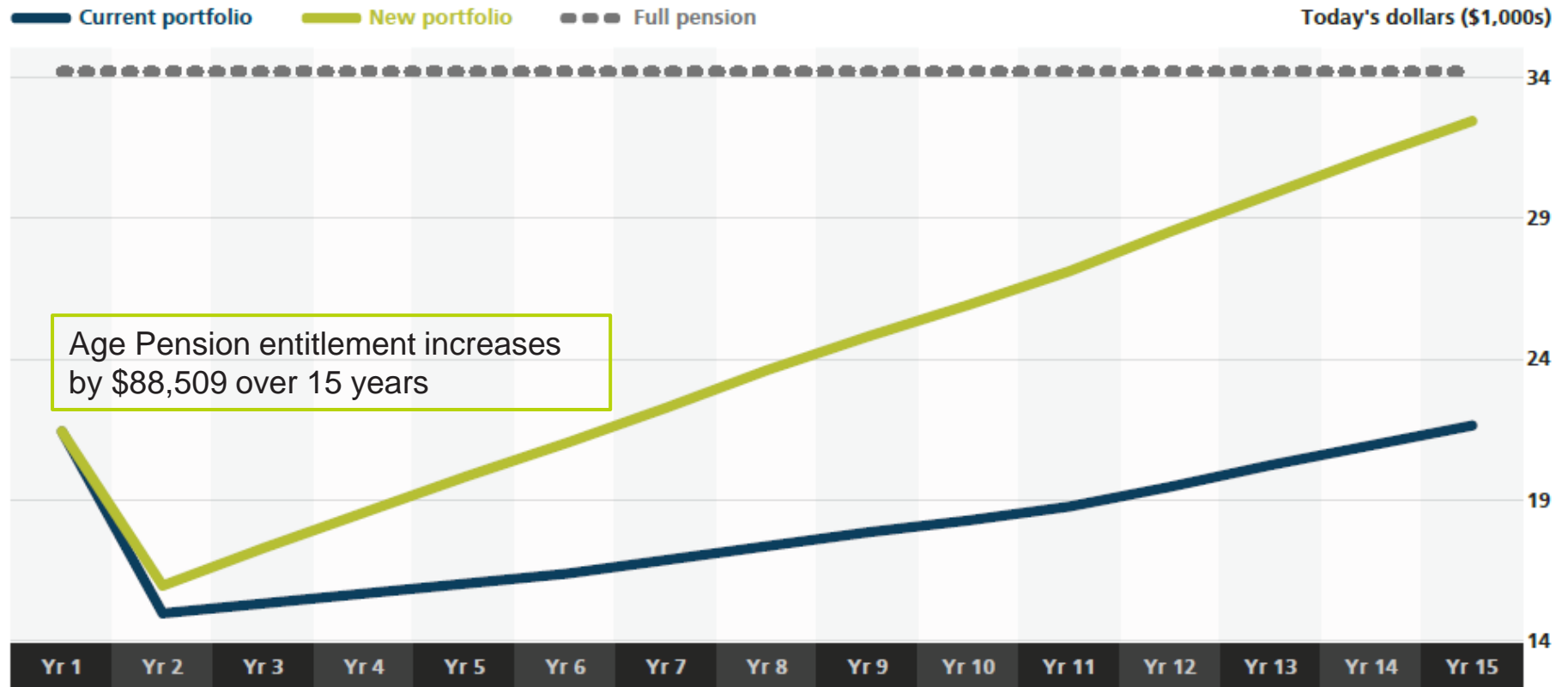
Tim and Sarah

Blend the annuity with existing investments

Strategy	Tim	Sarah
Account-based pension	\$200,000	\$200,000
Liquid Lifetime Annuity	\$100,000	\$100,000
Total	\$300,000	\$300,000

Tim and Sarah

Age Pension entitlement



Centrelink rates and thresholds as at 18th May 2016

Tim and Sarah

Age Pension entitlement

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Total
Current portfolio (\$)	21,441	14,982	15,360	15,693	16,057	16,414	16,902	17,378	17,842	18,295	18,768	19,510	20,230	20,927	21,632	271,431
Eligible for Pension Card?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
New portfolio (\$) (custom annuity)	21,441	15,976	17,309	18,597	19,840	21,006	22,305	23,592	24,799	25,964	27,118	28,512	29,855	31,177	32,449	359,940
Eligible for Pensioner Concession Card?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Annuity pension boost* (\$)	0	994	1,949	2,904	3,783	4,592	5,403	6,214	6,957	7,669	8,350	9,002	9,625	10,250	10,817	88,509
	0.0%	6.6%	12.7%	18.5%	23.6%	28.0%	32.0%	35.8%	39.0%	41.9%	44.5%	46.1%	47.6%	49.0%	50.0%	32.6%
Annuity cashflow with pension boost	4.0%	4.5%	5.0%	5.5%	5.9%	6.3%	6.7%	7.1%	7.5%	7.8%	8.2%	8.5%	8.8%	9.1%	9.4%	

* A lifetime annuity can boost your client's Age Pension and provide regular payments for their lifetime. However, it's important to note that if your client uses money from other investments like an account-based pension to buy the annuity, they may lose some flexibility in terms of access to capital.

Still over the threshold?

Centrelink have advised that they will automatically issue a Commonwealth Seniors Health Card to those that will become ineligible for an Age Pension from 1 January 2017.

In addition, you may also be eligible to apply for the Low Income Health Care Card.

Most Importantly

Keep it simple!



Question Time

