

Clock ticking on age pension changes



TIME is running out for older Australians to prepare for changes to pension income tests that can potentially cost retirees thousands of dollars.

Financial advisers who are unhappy with the new rules that come into force on January 1, say pensioners and soon-to-be retirees should review their situation now.

Government changes to the income testing of retirees' widely held superannuation pensions - known as allocated pensions or account-based pensions - mean they will lose their favourable Centrelink status and be deemed the same as bank accounts.

Marinis Financial Group financial strategist Theo Marinis says the move will encourage people to blow their retirement nest egg on lifestyle 'toys' and experiences and then go on the full age pension, rather than carefully manage their savings over time.

"There will be many scenarios where a person will actually increase their (Centrelink) pension by spending up big," he says.

"This will be fun for them but economically irrational for the country. It's the dumbest Centrelink rule I've ever heard."

People who have an existing account-based pension will not be affected by the changes but anyone who starts one after January 1, or switches to a different one, will lose the existing income testing status that means only a portion of its income is assessed.

"The vast majority of people who apply for a pension from next year are probably going to get a little bit less," Marinis says.

"If you are on a Centrelink pension and have an account-based pension, review it as soon as possible. You may be able to move it to a lower-fee platform or reset it (to maximize the benefits)."

The Association of Superannuation Funds of Australia says two-thirds of retirees say government pensions are their main source of retirement income.

Goldsborough Financial Services director and senior adviser Glenn Todman says the effect on people's pensions "could be huge"

For example, a 65-year-old retiree with an account-based pension balance near \$400,000 has very little of their income assessed, but under the new rules it would be considered like a bank account and could cut age pension payments by thousands of dollars a year.

"It is locking people into a product. If you move to another product you are going to lose the grandfathering," Todman says. "If your existing fund starts going backwards or charging higher fees, you are locked in. That part of it is disgraceful."

It can often take weeks to set up a new account-based pension, meaning people should start planning now.

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