A holiday home in my name means my husband gets no age pension

Doing her parents a favour years ago has created a retirement income headache.

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Q: I'm trying to calculate how much government age pension my retired husband is missing out on by me having a holiday home valued at roughly $800,000. The house, put in my name by my parents when I was in my 20s will eventually be mine. I never questioned this, and they probably did it to be eligible for the age pension – which they are not because they are self-funded. They were under the impression it wouldn't affect my husband's future pension eligibility and I didn't follow up until a few years ago when I realised it would indeed be counted in assets.

I'm 59 and earn $56,000 a year, have 1500 Telstra shares and $126,000 in an online account. My super is worth $370,000. My husband, 70, retired last year. We are living off my income and his redundancy and haven't started using his $430,000 of super. He also has $80,000 in a term deposit. We have no children and our house is owned outright. My theory is we could have put at least half of his super into mine (I plan to work for many years, but reducing days). We could have spent most of the $126,000 cash and $80,000 on a new car each which we need and several house repairs, leaving maybe $30,000 in each of our names for emergencies.

Online calculators vary but am I correct in assuming he is missing out on around $14,000 of age pension plus $3000 in pensioner discounts if I reduced my hours to three days a week plus take all the actions I mentioned? I feel we are missing out being in the sweet spot. Even though we will one day have use of the extra home, I can't reduce my hours now and enjoy time with my husband in his retirement. Anja

A: As someone who has allowed her parents to put a major asset like the holiday home in your name, you have been very generous with your entitlement to the government age pension. Including the $800,000 home in your assets means your husband is not entitled to any age pension, says Adelaide financial strategist Theo Marinis of Marinis Financial Group.

While he stresses his comments are general information only and not specific financial advice, they highlight that when entitlements to the government age pension are determined for a couple – even if only one member is of age pension age and eligible for half the pension at the married rate – they will be assessed as a couple, regardless of who owns any assets or how they came to own them.

Further, this will apply to both the asset and the income test assessments where any age pension entitlement will be whichever of these tests provides the lowest age pension income amount.

Over the threshold

Based on his assessment of your current income and assets, Marinis says while it is possible your husband would qualify for a part pension under the income test, your combined assessable assets – which he estimated at $1.461 million – exceeds the $1.031 million assets test threshold for a couple where any pension entitlement cuts out. With no entitlement to any government age pension under the assets test, he won't receive any government age pension.

The assessable assets comprise the $800,000 holiday home, his super balance of $430,000, his $80,000 term deposit, your $126,000 online account, your Telstra shares worth an estimated $5430 and a $10,000 conservative estimate of your personal assets like furniture and another $10,000 estimate for the value of a motor vehicle. One asset that isn't counted is your super in the accumulation phase of $370,000. This is exempt from the joint assets test for anyone under the age pension age of 67.

This combined amount, says Marinis, is approximately $410,430 more than the assets test cutoff.

Regarding your strategy of spending most of the $126,000 on house repairs and $80,000 on new cars for each of you and setting aside $30,000 in each of your names for emergencies, this will reduce your assets but not by much. The cars, even with immediate depreciation, might still be valued at $75,000.

If you went further by transferring some of his super to your super, says Marinis, the maximum permitted contribution of $360,000 will reduce your combined assessable assets to $1.025 million, which might only be $5570 below the $1,031,000 asset test cut. This might see your husband qualify for about $17 of age pension per fortnight.

Contributing the money into your super can only be made into an accumulation account where the income will be taxed, albeit at a concessional 15 per cent. Assuming it earns investment income of 5 per cent, the extra $360,000 in your super will earn about $18,000 which would be taxed at 15 per cent or $2700 – much more than the $442 per annum in age pension your husband would qualify for.

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Marinis says a much better outcome could be achieved by rolling over his $430,000 of super to an account-based pension where the investment income will be exempt from tax.

That would represent an approximate $3225 annual super fund tax saving ($430,000 x 5 per cent assumed earnings).

Focus on self-funding

This suggests, says Marinis, that you and your husband should ignore Centrelink and concentrate on maximising your self-funded retirement position with funds in the account-based pension.

Also suggested in your question is that you are ultimately likely to also receive an inheritance. This will see you even less likely to qualify for any age pension while you own an asset like the holiday home.

Further, your husband could qualify for the Commonwealth Seniors Health Card, says Marinis, a concession card to get cheaper healthcare and other discounts with a value of at least several thousand dollars depending on the number, cost and types of subsidised medications he could be entitled to.

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