Pensions warning for cut retirees

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RETIREES worried about losing money under tougher new Centrelink rules have been warned to avoid going on a spending spree that reduces their assets but protects their pension payments.

As hundreds of thousands of pensioners receive a cut this month, financial specialists say the worst thing they can do is waste their money to try to keep more of the pension.

January 1 brought changes to assets limits for pensioners, and doubled the rate at which their payments reduce. Almost 315,000 pensioners are losing some entitlements, including 88,500 having their pension cancelled. About 166,000 will get more money.

Financial strategist Theo Marinis said he had been contacted by many concerned retirees, some who had spent money to lower their assets and others who were unaffected by the changes but were still panicking.

"The problem with blowing your money to qualify for Centrelink is once the money's gone, it's gone," he said.

Under the new rules, a homeowning couple can have $375,000 and still receive the full age pension, while their part pension is cancelled if their assets exceed $816,000.

For single homeowners, the full pension is paid on assets under $250,000; no pension is paid on assets above $542,500.

The family home is not counted in the assets test.

Mr Marinis said affected retirees would eventually receive more pension as their assets naturally reduced during their retirement.

"A lot of people are going to do foolish things, blow their money, and it's going to cost the government more down the track. I think this is a stupid policy," he said.

Mr Marinis blamed "bozos in Canberra" for the changes. "What are they smoking? They're on something because nobody thinking logically makes these half-baked rules."

Baillieu Holst financial adviser Mike James said he had spoken with retirees who faced income shortfalls of up to $12,000 because of the changes.

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