Sell your house, lose pension

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A NEW incentive to tempt senior Australians to downsize their home could cost them their entire age pension.

The dressed-up superannuation tax break, promoted by the Federal Government as helping housing affordability, risks leaving many retirees worse off financially.

From July this year, people aged over 65 will be able to pump up to $300,000 of the proceeds of selling their home into super without affecting other super contribution limits.

However, the proceeds get counted in their pension assets test – while the family home is exempt – and could dramatically reduce their pension.

For example, a single pensioner homeowner currently receives the full $894 a fortnight if their assets are below $253,750. Assets above that reduce pension payments until it is cancelled when assets reach $552,000.

Financial strategist Theo Marinis said the super downsizing rules were "like a lot of changes they make – they sound good in principle, but when you look at the devil in the detail in practice, it's not as good".

Australian Bureau of Statistics data shows almost 80 per cent of retirees receive a full or part age pension.

National Seniors chief advocate Ian Henschke said pensioners looking to downsize should seek professional advice. He said the changes would mostly benefit those with enough wealth to make them ineligible for a pension.