

Pensioner Concession Cards and the impact of 1 January 2017

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With the 1 January 2017 Assets Test changes less than 6 months away, it is important to ensure clients who may be over the estimated Assets Test cut-off at that time understand the implications of losing their Age Pension entitlement as well as the Pensioner Concession Card (PCC).

Age Pension recipients who lose their entitlement and the PCC on 1 January 2017 as a result of the Assets Test changes will be automatically issued with a Commonwealth Seniors Health Card (CSHC) without being subject to the income test indefinitely.

In this technical article we consider the main differences between the Commonwealth Seniors Health Card and the Pensioner Concession Card and examine some strategies that may be effective for your clients who may be on the cusp of losing the PCC.

While both cards give access to the important discounted medicines listed in the Pharmaceutical Benefits Scheme (PBS) Schedule, the PCC gives access to more state, territory and local Government concessions compared to the CSHC.

Age Pension recipients who regularly access state, territory and local Government concessions provided by the PCC may want to retain this card if the concessions are not provided by the CSHC.

Pensioner Concession Card benefits

Age Pension recipients automatically receive the PCC, giving them access to discounted medicines listed in the PBS Schedule and various concessions from the Australian Government and state, territory and local Governments.

Australian Government concessions include:

- bulk billing for doctor's appointments at the doctor's discretion;
- more refunds for out-of-hospital medical expenses through the Medicare Safety Net;
- assistance with hearing services through the Department of Health;
- concessional rail travel on Great Southern Rail services, such as the Indian Pacific, The Ghan and The Overland;
- and
- discounted mail redirection through Australia Post.

State, territory and local Government concessions include:

- reduction on property and water rates;
- reduction on energy bills;
- reduced fares on public transport; and
- reductions on motor vehicle registration.

Commonwealth Seniors Health Card benefits

The CSHC gives holders access to discounted medicines listed in the PBS Schedule and limited concessions from the Australian Government and state, territory and local Governments.

Australian Government and state, territory and local Government concessions include:

- bulk billed doctor's appointments at the doctor's discretion;
- more refunds for out-of-hospital medical expenses through the Medicare Safety Net;

and

health, household, transport, education and recreation concessions offered by state and territory Governments.

Retaining the Pensioner Concession Card

Age pension recipients who regularly access state, territory and local Government concessions provided by the PCC and will have assessable assets just above the Assets Tests cut-off thresholds on 1 January 2017 may wish to consider strategies to help reduce their assessable assets below the thresholds to retain the PCC. The following table provides a summary of the estimated Assets Test cut-off thresholds:

	New cut-off limits (Estimated 1 January 2017)
Single, homeowner	\$547,000
Single, non-homeowner	\$747,000
Couple, homeowner	\$823,000
Couple, non-homeowner	\$1,023,000

Source: Scott Morrison's press release (7 May 2015) 'Fairer access to a more sustainable pension'

Assets Test strategies

Strategies that may be useful in reducing assessable assets include:

- improvements to the family home
- gifting assets within the allowable limits (\$10,000 per financial year, limited to \$30,000 per 5 financial years)
- purchasing a funeral bond up to the limit (\$12,500)
- prepaying funeral expenses (no limit but cannot be refundable); and
- purchasing a lifetime annuity.

Lifetime annuities have a deduction amount for Asset Test purposes which reduces the asset value of the annuity over time. Purchasing the annuity (and receiving regular payments) will have the benefit of a reduction in the asset value by half of the deduction amount every 6 months.

Case study

Tim and Sarah (both aged 65) are a couple and own their home. They have \$400,000 each in account-based pensions (commenced in July 2015) both drawing the minimum payment and \$20,000 in a bank account. Their account-based pensions are currently returning 7% p.a. They are currently entitled to a combined Age Pension of \$13,836 p.a. and the PCC.

On 1 January 2017, their assessable assets will be \$828,000 which is above the Assets Test cut-out threshold for a couple, homeowner (\$823,000) and they will lose their Age Pension entitlement and the PCC. However they will automatically be issued with a CSHC without being subject to the income test indefinitely.

Gifting

If Tim and Sarah gift \$10,000 before 1 January 2017 from their bank account, their assessable assets will reduce by \$10,000. On 1 January, their assessable assets will be \$818,000 which is below the Assets Test cut-off threshold and they will continue to receive an Age Pension entitlement and retain the PCC.

Funeral bonds

If Tim and Sarah purchase a funeral bond for \$12,500 before 1 January 2017 from their bank account, their assessable assets will reduce by \$12,500. On 1 January, their assessable assets will be \$815,500 which is below the Assets Test cut-off threshold and they will continue to receive an Age Pension entitlement and retain the PCC.

If Tim purchases a lifetime annuity providing monthly payments of \$250,000 from his account based pension, the annuity will have a deduction amount of \$13,007 ($\$250,000/19.22$) and their assessable assets will reduce by \$6,504 ($\$13,007/2$) every 6 months. On 1 January 2017, their assessable assets will be above the Assets Test cut-out threshold and they will lose their Age Pension entitlement and the PCC. However 6 months after purchasing the annuity their assessable assets will reduce by \$6,504 (from \$828,000 to \$821,496) and they will regain their Age Pension entitlement and the PCC.