The Hon. Scott Morrison MP
Minister for Social Services

MEDIA STATEMENT

*** Embargoed until Thursday 7 May 2015 ***

FAIRER ACCESS TO A MORE SUSTAINABLE PENSION

More than 170,000 pensioners with modest assets will have their pensions increased by an average of more than $30 per fortnight as part of the Government's plans for fairer access to a more sustainable pension that will come into effect in January 2017, Minister for Social Services the Hon. Scott Morrison announced today.

This will include around 50,000 part pensioners who will now qualify for a full pension under the new rules.

More than 90% or 3.7 million pensioners and other Australians who receive pension linked payments will either be better off or have no change to their arrangements under these new proposals.

All couples who own their own home with additional assets of less than $451,500 will get a higher pension. For couples who don't own their own home they will be better off with asset holdings up to $699,000 in January 2017. For singles the maximum threshold point, below which pensioners will be better off, will be $289,500 for home owners and $537,000 for non-homeowners.

At the same time the Government will be taking off the table last year's Budget measure to constrain increases in the pension to the Consumer Price Index (CPI). These changes would have impacted the future indexation of more than 4.1 million pensioners and those receiving pension linked payments, including veterans. Those changes will now not proceed.

The changes will see what is known as the 'assets free area' increased, that is the value of assets you can have in addition to your family home, in order to qualify for a full pension. This will increase from 202,000 to $250,000 for single home owners and from $286,500 to $375,000 for couple home owners.

Pensioners who do not own their own home will also benefit by an increase in their threshold to $200,000 more than homeowner pensioners. This increases the gap between homeowners and non-homeowners thresholds by more than a third, recognizing there higher living costs.

At the same time the government will reduce the maximum value of assets you can hold to qualify for a part pension, which for couples is currently up to $1.15 million plus the family home.

Approximately 91,000 current part pensioners will no longer qualify for the pension and a further 235,000 will have their part pension reduced.

All people affected by the scaling back of the maximum asset threshold will be guaranteed eligibility for the Commonwealth Health Seniors Card (CSHC) or Health Care Card, which provides the same concessional access to pharmaceuticals as given to those on the pension.

The proposal will reverse changes to the 'taper rates' introduced by the Howard Government in 2007. From 1993 to 2007 a $3 taper rate was in place where for every additional $1,000 in assets above the minimum threshold for a full pension, fortnightly payments were reduced by $3. This was changed to a $1.50 taper rate which put an extra 110,000 people on the part pension and increased the cost to taxpayers by almost $1 billion a year.

These changes were introduced when the budget was in surplus and there was $40 billion in the bank. Thanks to labor, this is no longer the case and the measures are no longer affordable.

The savings achieved by these changes will deliver $2.4 billion to the budget, providing further evidence of the Government's commitment to cleaning up the budget mess left by Labor.

Those impacted by these changes will be able to maintain their current level of income by drawing down less than 1.84 on their additional assets ($574,000 for a single homeowner), in a worst case scenario [*a summary of additional asset draw down examples for single, couple, home owners and non-homeowners is attached*].

It is common for pensioners not to draw down on their assets whilst receiving the pension. Research by the Department of Social Services on asset holdings of pensioners revealed that during an individual's last five years of receiving the pension, 42.5% increased their asset holdings and 24.7% maintained them at the same level.

Less than a third of pensioners actually saw their assets decrease in their last five years. Similarly in the first five years on the pension, 44.5% of people increased their assets, 12.9% had exactly the same amount and only 42.6% decreased their asset holdings.

On average pensioners have around $113,000 in assets. Those with superannuation have on average almost double this amount at approximately $200,000. Around 90% of these assets are held in cash, investments, property and shares. Real estate holdings are on average around 12%, not including the family home.

(ENDS)

[*A summary of the changes comparing current thresholds with those that will apply in January 2017 is attached*]

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