

Money Matters



Ord Minnett Buderim

It's no secret that superannuation accounts have been pounded with the turmoil of the GFC and that many pre-retirees have postponed their retirement date. For those who choose to keep working beyond the age when they would have become entitled to the age pension, it may be worthwhile registering for the Pension Bonus Scheme (PBS).

The PBS provides a lump sum payment to registered participants once they claim the age pension. The payment is tax free, however there are a number of important points to note. To be eligible, a person must complete 960 hours of gainful employment for at least 12 months. Importantly the recipient cannot have received any income support payment since reaching age pension age, apart from the carers pension.

The maximum number of years that can be accumulated under the scheme is five, and only one member of a couple

needs to satisfy the work test for both members to be eligible. Both members need to be over pension age and both must register. Registration is through Centrelink and you must also register within thirteen weeks of reaching pension age.

The size of the bonus is calculated by the pension rate * 9.4% * years accrued * years accrued. The pension rate is the amount of the age pension that you eventually receive when you claim the age pension. Thus if you are not entitled to an age pension due to excessive assets, then you would not be entitled to a pension bonus. As an example, the maximum age pension is currently around \$12,373 per annum for each member of a couple. Assuming you registered on the bonus scheme and worked for three years past age

pension age, you would be entitled to \$12,373 * 9.4% * 3 * 3 which is \$10,468 per person. The amount grows exponentially. In the example above, if the period worked was five years, the bonus reaches \$29,077 each.

The above rules sound quite simple – theoretically. However there are ways of maximising the bonus, such as commencing superannuation income streams prior to claiming the bonus. Bonus claims must be lodged within thirteen weeks of ceasing work and gifting in excess of the limits can also lead to loss of entitlement.

It is not always a simple decision to register for the PBS. Sometimes it may be better to register for a part age pension. You would need to consider how much age pension you would be entitled to over the years


compared to the anticipated bonus at the end of your working life. Such a calculation involves forecasting how many years you

intend to work after pension age. It is worth noting that the Federal Budget proposed closing the PBS to new participants after 20-September this year. If you are registered prior to that, you will retain eligibility, so if you can you should register prior to that date.

In summary, it is possible to receive a sizeable payment if you choose to continue work after pension age. Apart from the benefits of receiving a lump sum, you are also leaving your other assets to grow without drawing on them. The combined effect can result in your retirement funds lasting much longer than if you had retired and started drawing on super balances early. Call Ords Buderim on 5430-4444 to discuss your retirement needs.

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