

# Better-off age pensioners have incentives to hoard cash



**John Collett**  
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It is sometimes speculated that one of the reasons for there being so few \$100 notes in circulation is that retirees are hoarding cash at home to maximise the age pension.

The incentive to hoard cash is about to become greater with the changes to the age pension access rules from January 1 next year.



Pension changes may encourage retirees to hide cash. Photo: Warren Hackshall

Some age pensioners with modest assets will receive increases in their pension payments.

But of the 300,000 who will be worse off, it is the 100,000 who are likely to see their age pension stop altogether who have an extra incentive to reduce their assessable assets.

Some of these will only be getting a small portion of the full age pension but receiving 100 per cent of the pensioner discounts.

There are discounts on prescription medicines and on medical services and discounts on property and water rates and car registration.

One of the changes is that the assessable assets cut-off point for those on a part pension will be lowered.

Those with assets above the new threshold will lose their pension and pensioner discounts.

However, those losing their pension as a result of the changes will be issued with the Commonwealth Seniors Health Card, which will continue to provide them with discounts on prescription medicines and bulk billed doctors' appointments.

Assessable assets are just about all assets with the exception of the family home.

Melinda Houghton, a financial adviser and founder of Houghton Strategic Solution, says one way to get assets down is to spend on a holiday, though it would have to be paid for by January 1.

Houghton says age pensioners are allowed to gift up to \$10,000 each financial year without it being counted under the assets test.

There is a limit to how much can be gifted in any rolling five-year period of \$30,000. The same amount applies whether you are single or a couple.

Age pensioners should also consider re-valuing their household goods, says Darren Johns, a financial adviser and founder of Align Financial.

Almost all household items lose market value over time and many retirees have not reported changes in the value of their household goods for years, he says.

Houghton warns that Centrelink has stepped-up its enquiries over "money that has gone missing" over the past 12 months.

And she says that Centrelink does do random audits and it is important to retain documentation of how the money is spent just in case Centrelink sends a "please explain".

Pensioners should be aware of the risk to their safety in keeping cash at home. There's not just the risk of burglary, but also of losing track of where it is hidden.

Twitter: @jcollett\_money