

AMENDMENT TO SOCIAL SECURITY ACT 1991 REQUIRED TO CORRECT INJUSTICE

The Social Security Act 1991 contains a provision that is **extremely prejudicial to the aged pensioner** under rare circumstances, obviously unintentionally. Relatively simple amendments would correct this, and because the circumstances are rare this would be at very minimal cost to consolidated funds.

Currently, the aged pension is means tested in two ways:

- Income, where over a certain threshold the pension is reduced by 40% of the additional income received. This gives the pensioner motivation to try and reduce reliance on the State. It includes an element of deemed interest from financial assets held, based broadly on interest rates attainable.
- Assets, where over a certain threshold the pension is reduced by 7.8% (shortly about to be 3.9%) of this excess value. This reflects the fact that in normal circumstances assets can earn income (eg a property can be rented out).

These two tests are clearly entirely fair in all normal circumstances.

In the case of a **pensioner moving home**, there can be difficulties. The principal residence is quite rightly exempt from the assets test. But if the pensioner purchases the new home first (prudent) and the old home remains on the market to be sold (which in current conditions may be for a considerable time), the **old home is counted as an asset by Centrelink and the pension is greatly reduced.**

It is submitted that this is prejudicial to a pensioner who wishes to move. The non-pensioner has only the impact of possible bridging finance to consider. The pensioner has this and the severe cut in pension. In effect, **this robs the pensioner of the freedom to move house** if they wish, a freedom that is available to all non-pensioners. The fact that most pensioners tend to remain at their final address is immaterial. Those who don't clearly should not be impeded.

There is a world of difference between an investment property capable of earning income (which is quite rightly assessed) and a bona fide case of moving home.

Suggested amendment

Where there is a bona fide case of moving to a new principal residence, backed up by written evidence of the move and the old home being genuinely on the market, then the old home should not be assessed as an asset.

Because of varying market conditions, this should not be subject to a time limit. Neither should it depend on the order of the transaction — ie old home sold or new home purchased first.

These amendments are suggested to remove a basic and unintentional unfairness that creates a terrible burden for a few individuals.

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