

# What is the pension loan scheme?

The Pension Loan Scheme (PLS) is the Government's version of a reverse mortgage which offers older Australians who own real estate in Australia an income stream to supplement their retirement income.

## How does it work?

Under the scheme, you and/or your partner can choose to receive up to 150 per cent of the fortnightly maximum rate of Age Pension. The maximum rate age pensioners will be able to receive (inclusive of the Age Pension) is \$36,121 pa for singles and \$54,451 pa for couple combined.

The loan will be secured against real estate in Australia that you or your partner own. You can repay the loan to the Commonwealth in full or part at any time.

The debt is subject to interest compounding fortnightly at 5.25% and recoverable once the relevant property is sold or from your estate. You can choose to cease PLS payments or make voluntarily repayments of the loan any time. The longer you take to repay the loan, the more interest you will accrue.

PLS payments are not assessable when determining your eligibility for a social security payment nor is it treated as taxable income. Also, payments are not counted for the purposes of the Seniors and Pensioners Tax Offset or the Low Income Tax Offset or for the purposes of the Commonwealth Seniors Health Card.

You can apply for the scheme online with a Centrelink/Department of Veteran's Affairs online account through myGov.

## How do you qualify?

To qualify for the scheme, you must satisfy all of the following:

- Qualify for an eligible pension, however you can have a payment rate of \$0 for either income and asset test
- Own real estate in Australia with sufficient equity to secure the loan
- Have adequate insurance covering the secured real estate
- Are not bankrupt or subject to a personal insolvency agreement, and
- You or your partner are Age Pension age or older.

You can still qualify for the PLS if you are not entitled to any pension but would have received an amount under either the income or the assets test. For example, you would qualify for some age pension under the income test but your total assets exceeds the asset cut-off threshold.

However, you will not be eligible for the PLS if your entitlement is Nil under both the income and asset test.

## Maximum loan amount

The accrued debt is subject to a maximum loan amount. Where the maximum loan amount is reached, PLS payments will cease and interest will continue to accrue until the loan is repaid. The maximum loan amount is not fixed and is recalculated every 12 months in January or July, following a person's birthday to adjust for the higher age component available.

The maximum loan amount depends on the following:

- Equity you have in the property offered as security, less
- Equity you want to keep in your property, and
- Age of you or your partner, whoever is younger.

For example, Richard (aged 75) and Miranda (aged 72) own their own home valued at \$1.2 million. Using \$900,000 of equity as security for the scheme, the maximum loan amount based on Miranda's age is currently \$299,700 and will increase with age.

## Other information

There are costs associated with setting up a loan under the PLS. This can include legal fees and cost for you to register a charge with the Land Titles office on the title deed of the property you are using as security. You will need to pay any costs associated with registering and removing this charge.

i. TD 96/14, Income tax: the Social Security Act 1991 provides for a pension loans scheme. Are amounts received by pensioners under the pension loans scheme assessable income? <https://www.ato.gov.au/law/view/document?docid=TXD/TD9614/NAT/ATO/00001>

ii. Eligible pensions are: Age Pension, Bereavement Allowance, Carer Payment, Disability Support Pension, Widow B Pension, Wife Pension

iii. Calculated as  $3,330 \times (900,000/10,000)$ . Age based factor per Social Security (Pension Loans Scheme – Age Component Amount) Determination 2019.

## Our services

### Health

- Health insurance
- Overseas visitors cover
- Dental services
- Chronic disease management
- Hospital in the home

### Wealth

- Investments
- Estate planning
- Trust and estate administration services
- Financial planning
- Investment, education and funeral bonds
- Banking and home loans
- General insurance

### Living

- Aged care and accommodation
- Personal and business insurance
- Aboriginal home care
- Disability services
- Retirement communities

 1300 700 189

 [australianunity.com.au/wealth](https://australianunity.com.au/wealth)

This information has been produced by Australian Unity Personal Financial Services Ltd (AUPFS) ABN 26 098 725 145, of 271 Spring Street, Melbourne, VIC 3000, AFSL & Australian Credit Licence 234459. Any advice in this document is general advice only and does not take into account the objectives, financial situation or needs of any particular person. It does not represent legal, tax, or personal advice and should not be relied on as such. You should obtain financial, taxation and legal advice relevant to your circumstances before making any decisions. We make no guarantees in relation to any particular outcome. Whilst every care has been taken in the preparation of this information, it may not remain current after the date of publication and AUPFS and its related bodies corporate make no representation as to its accuracy or completeness. Published: July 2019 © Copyright 2019.