

MEDIA RELEASE

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SENATE EXEMPTIONS TO ACCOMMODATION BONDS BOOST ELDERLY PENSION

Many elderly can look forward to a boost in their pension after July 1 when new rules come into force exempting accommodation bonds from the pension Assets Test. The new ruling approved by the Federal Senate this week will apply to anyone who has paid a bond, regardless of when it was paid.

Challenger's Head of Technical Services, Alex Denham said, "the new ruling will mainly impact elderly in low level care or hostels, where accommodation bonds are charged, rather than those in nursing homes or other forms of high level care where a daily rate is charged."

A further amendment will allow elderly to continue to classify their family home as a "primary residence" if they rent it out and pay the accommodation bond by periodical payment. This means it will be disregarded as an asset and the resident will continue to be considered a homeowner.

"Periodical payment of the bond has not been an attractive option in the past because the hostel facility can charge an interest rate of up to 9.43 per cent, so many people simply sold their home to meet the payment," said Ms Denham.

"However, in many cases, the home could now be exempt from the Assets Test allowing the resident to receive the Age Pension at the same time. While the rental income may not yield 9.43 per cent, the increased Age Pension and ongoing capital growth on the home may make renting out the house and paying the bond periodically a worthwhile strategy.

"Each case would need to be assessed on a case by case basis and anyone considering this strategy should speak to a financial advisor," cautioned Ms Denham.

Many elderly who don't currently qualify for Age Pension or for a Pensioner Concession Card may qualify from the start of July. If these people apply to Centrelink or DVA before the end of September then they will receive pension backdated to July 1.

The Bill is awaiting Royal Assent.

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