



# Pension Loans Scheme

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A scheme to help you use your capital tied up in real estate to provide income up to the maximum qualifying payment.

## Eligibility & payment rates

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### About the Pension Loans Scheme

The Pension Loans Scheme is a voluntary arrangement that provides support in the form of a loan for either a short time or an indefinite period.

It is paid in regular fortnightly non-taxable instalments. You can nominate to receive an amount up to the maximum Age Pension rate of payment.

### Eligibility for Pension Loans Scheme

You may be eligible for a loan under the scheme if:

- you or your partner is of age-pension age<sup>[1]</sup>
- you have equity in real estate in Australia to use as security for the loan
- you or your partner receive a reduced, or nil, rate of a qualifying payment for the scheme due to the application of either the income or the assets test, but not both, and
- you meet Age Pension residence requirements<sup>[1]</sup>

The following qualifying payments allow access to a top-up payment under the scheme:

- Age Pension<sup>[1]</sup>
- Disability Support Pension<sup>[2]</sup>
- Wife Pension<sup>[3]</sup>

- Carer Payment<sup>[4]</sup>
- Widow B Pension<sup>[5]</sup>
- Bereavement Allowance<sup>[6]</sup>

The scheme is not available if you receive the maximum rate of any of these qualifying payments. However, you can access capital tied up in your real estate assets to provide extra income if you are of age pension age but, because of assets or income but not both, are ineligible for a qualifying payments or a reduced payment rate.

## **Pension Loans Scheme costs and interest rate**

All costs associated with establishing, changing and finalising the loan are your responsibility, for example legal and solicitor costs. We will send you a letter when the loan has been established, advising you of the amount that we seek to recover from you. You can choose to pay these costs immediately or we can add the costs to the outstanding loan balance.

Interest charged on the outstanding loan balance is a compounding rate, currently 5.25%. The interest rate is applied to the outstanding loan balance each fortnight. The interest continues to accrue until the loan is repaid and increases the amount to be repaid.

The outstanding loan balance consists of the principal loan amount plus accrued interest and any outstanding costs, less any repayments made.

## **Repaying the loan**

A loan under the Scheme can be repaid in part or full at any time. If you wish to sell the real estate that is used as security for the loan, you need to contact us before organising the sale so that arrangements can be made for the loan to be repaid at the time of the sale.

The loan may also be repaid from your or your surviving partner's estate after your death.

## **Pension Loans Scheme payment rates**

You can nominate to receive a top-up amount of payment each fortnight under

the scheme, up to the maximum payment amount allowed of the qualifying payment you receive.

The total loan amount you can receive depends on the equity you have in the property you offer as security, the equity you wish to keep in the property and your age when the loan is granted.

The loan payments you receive are not subject to income tax.

## Security on the loan

Your loan must be secured by any Australian real estate you have an interest in, including your principal home. For example, Australian real estate owned by a private company or trust that you are attributed as controller may be used to provide security for a loan under this scheme.

The scheme is secured by registering a charge with the Land Titles Office on the title deed of the property that you offer as security. You will have to pay the costs associated with the registering and removal of this charge.

The real estate you offer as security for your loan will be valued independently by a licenced valuer. This is done at no cost to you.

If you have more than 1 property, you may wish to exclude all but 1 from the assessment for a loan.

## Asset test hardship

Making a claim under the scheme does not stop you from making a claim under the [assets hardship provisions](#)<sup>[7]</sup>. However, you will only be paid under 1 of these provisions.

## Payment reviews

Your scheme payment is reviewed regularly.

## Claiming

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Once you have read about eligibility the next steps are:

1. register an intent to claim
2. complete your forms and meet with a Financial Information Service (FIS) officer
3. submit your claim form and supporting documentation
4. we will assess your claim and let you know the outcome

[Claim](#)<sup>[8]</sup>

## Managing your payment

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### Change of circumstances for Pension Loans Scheme

You need to tell us when your circumstances change, for example before you sell the property you used as security for your loan.

You need to let us know about any changes within 14 days in case they affect your loan payments.

## Resources

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### Make an informed decision

We offer a free and confidential [Financial Information Service \(FIS\)](#)<sup>[9]</sup> to help you with your financial matters. Our FIS officers can discuss the terms and conditions of the Scheme with you and offer information on the issues you should consider when deciding whether to apply for the Scheme.

To speak to an FIS Officer, call **132 300**.

### Link references

1. <http://www.humanservices.gov.au/customer/services/centrelink/age-pension>
2. <http://www.humanservices.gov.au/customer/services/centrelink/disability-support-pension>
3. <http://www.humanservices.gov.au/customer/services/centrelink/wife-pension>
4. <http://www.humanservices.gov.au/customer/services/centrelink/carer-payment>
5. <http://www.humanservices.gov.au/customer/services/centrelink/widow-b-pension>
6. <http://www.humanservices.gov.au/customer/services/centrelink/bereavement-allowance>

7. <http://www.humanservices.gov.au/customer/enablers/assets/asset-hardship-provisions>
8. <http://www.humanservices.gov.au/customer/enablers/centrelink/pension-loans-scheme/claiming>
9. <http://www.humanservices.gov.au/customer/services/centrelink/financial-information-seminars>



This information is intended only as a guide to payments and services. It's your responsibility to decide if you wish to apply for a payment and to make an application, with regard to your particular circumstances. This information was printed on Sunday 15 June 2014 from

<http://www.humanservices.gov.au/customer/services/centrelink/pension-loans-scheme> and based on the selections made, may not include all of the information on this topic.