# Position Paper: Means Test Rules for Lifetime Retirement Income Streams January 2018 – Key Assumptions for Modelling in Attachment A

|  |  |
| --- | --- |
| Real earnings rate (gross of fees)  | 3.30%  |
| Inflation  | 2.50%  |
| Real discount rate  | 3.30%  |
| Age Pension Indexation  | 3.00%  |
| Mortality  | ALT2010-12 with 25yr imp. rated down 3 yrs  |
| Inflation indexed immediate life annuity price (purchased at 65)  | 4.70%  |
| Inflation indexed deferred life annuity price (20yr deferral, purchased at 65)  | 25.00%  |
| **Fees**  |  |
| Account based pension  | 1.00%  |
| GSA/DGSA  | 0.80%  |

Note for deferred products, the account-based income stream (ABIS) component is assumed to be drawn down to zero at the deferral age e.g. for a deferred life annuity vesting at age 85, the ABIS component is drawn down completely from age 65 to age 85 when the deferred life annuity begins payment.

# Age Pension Means Test Thresholds

|  |  |  |
| --- | --- | --- |
|  | Single | Couple |
| Annual Max Rate | $23,254 | $35,058 |
| **Asset Test** | Homeowner | Non-homeowner |
| Single Couple | Single Couple |
| Free area threshold | $253,750 $380,500 | $456,750 $583,500 |
| Cut out | $551,883 $829,967 | $754,883 $1,032,967 |
| Taper | $3 per fortnight for every $1,000 above the relevant free area |
| **Income Test** | Single | Couple |
| Annual | $4,368 | $7,800 |
| Cut out | $50,877 | $77,917 |
| Taper |  | 50% |
| **Deeming** | Single | Couple |
| Thresholds | $50,200 | $83,400 |
| Rate - below threshold | 1.75% |
| Rate - above threshold | 3.25% |