

PODCAST TRANSCRIPT

Talent: Hank Jongen, General Manager and
Justin Bott, Financial Information Service Officer

Topic: How FISOs can help you

Voiceover

You're listening to a podcast from the Australian Government Department of Human Services.

Hank: Hello, I'm Hank Jongen, General Manager with the Department of Human Services, and today I'm continuing my discussion with Justin Bott who's a Financial Information Service Officer with 25 year experience. Justin, welcome.

Justin: Thank you. Thanks for having me again.

Hank: I often talk about FISOs on the radio because I know it's a fantastic service that we provide. Tell me about your role, as a FISO.

Justin: A FISO is a fantastic job. Love being a FISO, because all we do is help people. So the role of the Financial Information Service, the emphasis is on the word information. I describe us as teachers of money. So we're out there trying to teach people about money, how to use it well, what the implications of the different decisions are, hopefully how to build up more of it, because realistically the ultimate purpose of the Financial Information Service is to get people early enough and teach them well enough so that by the time they're old enough to claim an Age Pension they're just so rich they don't have an eligibility. That's what we're there for.

Hank: This sounds like something I need.

Justin: And we'd love to help. We're there for anybody, and that's the thing about it, we are there for literally everybody. They do not have to be a Centrelink customer, hopefully you are never a Centrelink customer. Again our hope is that you've come through our doors, the only time you've come into the office, was to sit down and talk to the Financial Information Service and we gave you the information that you needed to send you on the right path, so that you can then really make your money work for you and start building up that wealth.

Hank: And how does your role differ to a financial adviser?

Justin: We have the advantage of providing information only. So we're not advisers, we're not licensed to give advice and although people ask me all the time about what they should do. It's a very common question for the Financial Information Service, When I say I'm not allowed to give advice they say alright I understand you don't give advice, but if I was your mother what would you tell me to do? We just can't answer those sorts of questions. It's just about information. So the differences from us, information only, it is still your decision. The decision may be that you need to see a professional, you need to see an adviser to get that extra support. Which is fine. We will hopefully make that interaction easier for you as well. One of the big issues people have with advisers is that they don't understand the language that they're hearing, and there's the Financial Information Service – free impartial service to help with that, and explain what your options are. So we give the information, off to the professionals if you need to, we're free, which also is another nice thing and because we don't recommend anything we're completely impartial. We have no hidden agendas. There's nothing secret about what we're trying to do. We're just out there trying to help people make the best use of money that they've got.

Hank: Based on what you were saying earlier, I gather it's not just for people who are approaching Age Pension age.

Justin: No absolutely not. It's for absolutely anybody. In fact, one of the issues for retirement is if you rock up and see us in retirement you're probably 15 to 20 years too late. And hopefully we were able to get to you and help you out much earlier than that. So, one of the things we do is we're out in the public with seminars, and those seminars aren't just about Age Pension eligibility. They're about shares and how they work, and properties and investment properties and super. The different investment choices that people have out there. We're out in the public trying to tell them and teach them, again a free information source of pretty good experts, I have to say being one of them, to help you make the right decisions.

Hank: Yeah. Look, when I'm in media one of the things I always say is look these people, I always say it's a fantastic service, but I also say these people are experts in the way in which your investment decisions will interact with Age Pension.

Justin: Absolutely.

Hank: So, that leads us to Age Pension.

Justin: Sure.

Hank: Tell us, what is the Age Pension, and who can get it?

Justin: Right, well, it's an Age Pension. So first qualification is you've got to be old enough. At the moment that's 65 years of age, but on the 1st of July this year is actually moving up to 65 and a half. That's going to be moving up again and again, so eventually by 2023, it'll actually be 67 years of age before you're Age Pension age. So, rule number one, got to be old enough. Rule number two, have to be an Australian resident. So if I'm an Australian resident then I can apply. And then we're going to look at what you actually own. Your income and assets, to determine how much pension eligibility you may have.

Hank: And it's a combination of an income and an asset test, is that right?

Justin: Yes. So they call it a means tested payment. Which means that we're going to look at how much income that you're generating from your investments, and we're also going to be looking at the value of your investments, or your properties, or whatever you might have. We apply a separate test to both the income that you're receiving, and the assets that you've got. And then whichever one of those is going to give the lower rate of payment that's the one that we use working out eligibility. So, if I'm on a pension and I'm eligible for \$700 a fortnight because of my income, but only \$250 because of my assets then my pension rate will be \$250.

Hank: Now you say property. Does that include the home property?

Justin: Family home is an exempt asset.

Hank: Is the pension adjusted over time?

Justin: Yes, actually quite often. Twice a year the pension is changed. The big dates, if you're ever dealing with Centrelink, the big dates you're looking for are the 20th of March and the 20th of September. If anything's going to change, it's going to change on those days. So on those days the pension is adjusted for CPI, generally speaking it's CPI, but also we're going to revalue your shares on those days and certain managed investments will be revalued on those days as well. So you might find that on the 19th of September you're

eligible for one rate, and on the 20th September a completely different rate because everything's changed in values and that as well.

Hank: And are there different rates if you're single or as part of a couple?

Justin: Yes. So the full rate of pension for a single person is \$877 a fortnight. And the full rate of pension for a member of a couple is \$661 each. But, the thing about that, and people always ask about member of a couple is "I'm Age Pension age, my wife isn't age pension age. Does that mean I get the 877 as a single person, or does that mean that her assets don't count?" And the answer to both of those questions is no. If I'm age pension age and my partner is not, then I'm only eligible for the partner rate of pension. I get 661, if I'm a full-rater, she gets nothing. Her assets will determine my pension eligibility.

Hank: In other words a couple is a couple.

Justin: A couple's a couple a couple. That's right.

Hank: Look you hear a lot about concessions for pensioners. Do you want to just outline those quickly?

Justin: For sure. If you're eligible for an Age Pension, you'll get with that a Pension Concession Card. Now the important thing about that is it's exactly the same Pension Concession Card regardless of the rate of Age Pension you're eligible for. So you sometimes hear this concern, people have that they should be eligible for the full rate of Age Pension because somehow that's a better place to be. And the reality is no, it's not. It's always better to have your own investments to help out and support the pension. But my concession, or eligibility is exactly the same if I'm receiving \$40 a fortnight or \$400 a fortnight. And that concession card, that's a fun one because there's a lot of different people trying to come up with a value of that Pension Concession Card. And the reality is that nobody should actually do that, because it's completely different. It's not just different from state to state, it's actually different from council to council. Where I was set up on the northern beaches of Sydney, there were three councils and each of those councils had a different rate on their council rates for a pensioner.

Hank: And look, one of the questions I get a lot on radio is people who are on Disability Support Pension, they reach pension age and they've got the option of switching across to Age Pension and they ring. They say to me, should I make the change or should I stay on DSP?

Justin: Yep.

Hank: What's your reaction to that?

Justin: I also get it a lot. It's a very important question, but the differences are very specific, to very specific people, in very specific circumstances. So the first thing I always say to people is, again, for an Age Pension I just have to be Age Pension age. In order for me to qualify for a Disability Support Pension I have to have a disability. I have to have an illness, or an injury, that's stopping me from being able to work. And regardless of my age I have to continue to prove that I've got that illness or injury, which means specialists reports and medical reports and all that sort of stuff. When I'm on Age Pension, I've turned Age Pension age. It's a pretty safe bet I'm not going to get any younger, I'm just going to stay Age Pension age I don't have to continue to prove I qualify. So Age Pension from that focus is just easier.

Hank: Ok. Let's talk about a couple of things. What's the Work Bonus?

Justin: Work Bonus is the way that the government is trying to encourage pensioners, to say you don't have to stop work just because you've turned 65 years of age. And the way the Work Bonus works, is that if I'm earning a wage, and I'm on an Age Pension, then I'm actually going to, or the department is going to ignore \$250 a fortnight of that wage as long as the person earning the wage is on the pension. It only applies to wages as well. So if I'm earning an income of \$40 000 the department will basically pretend, if you like, that I'm only earning an income of \$33 500. And as a consequence my pension rate will be higher and I get more pension even though I'm earning that extra amount of income. So it's just a bonus, or advantage, to say keep working beyond Age Pension age. Don't stop just because you've turned 65 or 65 and a half. That's absolutely what we don't want you to do if that's not what you want to do.

Voiceover

Money questions bothering you? Did you know we have Financial Information Seminars that can help you answer some of these questions? The seminars are free and help across Australia. These seminars can help you get a better understanding about savings, investing, your pension, and the options you have. It can even help you effectively prepare, and plan your retirement. To find a seminar near you go to humanservices.gov.au/fis.

Hank Jongen: And look another contentious area, or a confusion area I should say, is granny flat arrangements. Where there seems to be an increasing trend of people building granny flats adjacent to the property. It's almost the extended family concept.

Justin: Yeah it is. When people think about a granny flat, they think about a self-contained unit on somebody else's house. That's not actually what the department defines a granny flat arrangement as. A granny flat arrangement from the department's perspective is if I hand over an asset, or cash, in order to get the right to live in a property for the rest of my life, that I don't otherwise have a legal right to do. So your classic example is, I'm going to give my child \$400 000 to build a self-contained unit on their property. It's not my property. My name isn't on the title deeds, but my child in exchange for that money will promise that I have a right to live in that self-contained unit for the rest of my life. I give you an asset. You give me the right to live somewhere for the rest of my life. There are three particular cases where we don't worry about how much that was. It's not a gift, it's a transaction, if you like, to create that right for life occupancy. Those cases are if I change the title of my house completely to my kids, I still live in my house but it's now theirs. That doesn't matter how much my house is worth. If I build something on my kid's property, doesn't matter how much it cost to build that. I'm paying for it, that's no issue for the department. The third one is if I sell up and my kids sell up, because neither of us have a big enough place. We both sell up and combine our money together, to buy something bigger for all of us, but it's only in the kid's name. Then that also doesn't matter how much I put in for that arrangement.

The thing about granny flats again is it's one of those issues that's not necessarily Centrelink that's the problem. The concern about granny flats is actually the family, and in particular if there are other kids. Because if I've just put \$500 000, I've sold my house and it's worth 500 grand, and I've put all of it into a granny flat on one child's property and I have two other kids. That money isn't my money any more, I can't leave it to anybody. I can't leave it to the other children, one child has got everything and the other kids have got nothing. So these are the sorts of things we're talking granny flats with people, it's not Centrelink so much, it's about what does your will say? Where's your Power of Attorney arrangement? Have you chatted with your kids before you do it? All those sorts of things, because this is a great way to destroy your family and never have the kids talk to each other ever again. If you don't do it right.

Hank: So you engage in these sort of frank open discussions? I mean you don't recommend, you raise the questions. Am I right?

Justin: Yeah. Absolutely. We're allowed to go, as far as I'm concerned, where we need to give the people information that they need to know to make the right decision. And that information is more than just what Centrelink thinks about it. That information is about legal implications of what you're going through, estate planning issues, and realistically things like, how do we make sure we can do this and have the kids still living happily together after I've gone?

Hank: Often that then must lead to discussions about aged care.

Justin: It does.

Hank: Another complex area, am I right?

Justin: It is.

Hank: I know we can't canvass everything in the course of this interview but if you had to make one or two key points about the issue of age care what would they be?

Justin: First thing is if it comes to understanding age care, the best people to come to is us - the Financial Information Service. We are well and truly the experts in this area. There are a lot of financial planners that are coming up but to be honest they're just catching up with what we already know, and we've been doing this for a really long time. So if you have issues with aged care - you're looking at how you're going to raise the lump sums, the 400000, the 500000 you're potentially have to raise - make an appointment with your Financial Information Service Officer. Come in and talk with us because we really are on top of everything that's going on with that.

The other side of it is there are systems in place to protect the home - if that's something you think is important - but you have to be realistic about what I can afford to do and what I can't afford to do. Because a lot of people don't want to sell the home when they go into aged care. And there are systems in place to allow that to work but if I don't have enough, realistically the only thing I'm going to have to face is whether I want to do it or not, selling the home is going to be how I fund my aged care.

Hank: Alright, so, let's talk about the claiming process. I hear a lot of complaints about the big bulky forms that you've got to fill in. Which of course leads me to when you should apply, and the best way to apply.

Justin: The Age Pension is actually one of the only payments the department has where you can apply before you meet eligibility. So if I'm about to turn 65, I'm actually allowed to apply for the Age Pension up to three months before that actually occurs. Now the advantage with that is, if I've lodged the claim form early and it's been processed, then when I turn 65 I don't have to do anything. The payments just start, and the money starts going into the bank account and it's great. So you're allowed to apply up to three months before you turn Age Pension age. The absolutely, fundamentally, best way, to lodge an application for the Age Pension, is to do it online. To start the process to lodge online you don't need to have the full access to Centrelink online services, but we would recommend you do that anyway.

Hank: Yes.

Justin: But the process of doing it online is far more accurate than the pieces of paper. It's faster processing than the people doing the paper. You can't make mistakes when you doing it online, people are making mistakes when you're doing the pieces of paper. And by the

time you hit the submit button, it's got the same legal imperative as a person putting a big rubber stamp on that piece of paper. And then they give you a letter that says, this is what you need to supply.

And all you really need to do when you're interacting with the department is rock up with the letter, with the document, and bang you're done. So, no phone calls, no sitting down and waiting for an officer, it's just handing in the required information and you walk away and it's all finished.

Hank: Definitely the way to go. Now a lot of people say - of course - that it's older Australians that are the most reluctant to use computers or online services. Has that been your experience?

Justin: It's certainly my experience that people say that. Whether it's actually true? Look, absolutely there will be people who can't access those services. Yes there will be. And that's why we have other services available. But what I do say for people in those circumstances is, yes that's true. There will be people who can't use the online services, but imagine everybody who could, did. So the issues we would have on the phone line wouldn't be there so much if everybody who didn't need to ring up used the online service instead. The other really important thing to say is that as I get older and things may be more and more difficult dealing with the department, it's really important to put in place a nominee. So I might not be able to deal with the department online, but my daughter, or my son, may well be able to do that. If I have a nominee arrangement also authorising them to be able to use those online services too, and so they can take care of it all for me, and I don't have to worry about it. That's their problem, that's their responsibility.

Hank: So a nominee can actually act on your behalf?

Justin: Absolutely. A nominee is different to a Power of Attorney, though we do recognise Power of Attorney. The way that I describe it is we work better with the nominee arrangements. You don't need to have any JP sign it, it's just signed between you and your nominee. You are in fact nominating or authorising another person to be you in your dealings with the department. Because our privacy rules are very strict, if we don't have a nominee, then we can't tell your children anything. They can't update anything. They can't change anything. We need them to be authorised as a nominee before we can deal with them.

Hank: So where do people go to get more information about FISOs?

Justin: The Human Services website is the best place to go. That's humanservices.gov.au. You can find out about the Financial Information Service, what we do there. You can also find out about the seminars we're holding, all across the country, so in the Human Services website search seminars in your state. So seminars in Western Australia, Seminars in New South Wales. You'll then get a list of every seminar that's available in the state, and it will tell you there's an email address you can go to, to book in, or you can ring up a special phone number, to ring up and book to those seminars, to talk about all those sorts of issues. From aged care to shares, a whole range available all across the country.

Hank: Well Justin - not surprisingly - you've been a wealth of information. Thank you very much for your time today.

Justin: It's been my pleasure.

Voiceover

You've been listening to a podcast from the Australian Government Department of Human Services. For more information go to humanservices.gov.au