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ESTATE EQUALISATION

When the Assets Aren't Equal

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INSIDE

BY WEALTH ADVISER

The most dangerous sentence in Australian estate planning might be the one that sounds the most reasonable: "everything equally between my children."

It's dangerous not because the intention is wrong but because, for a large share of families, the assets refuse to cooperate. Wealth in this country is lumpy. It sits in a family home, a farm, a business, a holiday house that three generations have used – things that cannot be divided by three without being destroyed, sold or fought over. A will that says "equally" while the estate says "one big thing and not much else" hands the executor a maths problem, hands the children a negotiation, and hands at least one of them a grievance. And a will that names who gets the big thing without doing anything for the others hands them something worse.

This is the equalisation problem, and it deserves more deliberate attention than it usually gets. The good news is that the toolkit for solving it is broader than most people realise – and much of it sits outside the will entirely.

Equal is not the same as fair

Before any mechanics, one distinction does most of the conceptual work: equal and fair are different ideas, and confusing them is where equalisation planning usually goes wrong.

Equal means each child receives the same value. Fair means each child receives what the family's circumstances and history genuinely support — which might be equal, and might not. The daughter who spent fifteen years working in the family business for below-market wages has arguably already paid for part of her larger share. The son who moved home for a decade to care for an ageing parent has a claim on fairness that a spreadsheet of asset values doesn't capture. Conversely, the child who received a house deposit twenty years ago that the others never got has, in one real sense, been paid an advance.

There's no formula for converting history into percentages, and this article won't pretend there is. What matters for planning purposes is that the decision is made consciously, that the arithmetic is actually done, and that the reasoning is recorded. Unequal distributions that arrive unexplained are the classic trigger for the family provision claims that every state and territory allows — the legal avenue by which an eligible family member can ask a court to rewrite the will's outcome, covered in detail in Issue 115 of this series. Courts in these cases aren't enforcing equality; they're assessing adequacy. But a distribution that looks arbitrary invites the challenge that a documented, explained distribution makes less likely — and easier to defend if it comes.

Two versions of the same problem

Consider two families.

In the first, a widowed mother in her eighties owns a home in a capital city that represents around four-fifths of everything she has, with the remainder in superannuation and savings. Her older son has lived with her for years, part carer and part tenant, and everyone quietly assumes he'll stay in the house. Her will divides the estate equally between him and his two siblings. The arithmetic makes the problem obvious the moment it's written down: he cannot receive the house and an equal split can occur, unless he can raise the money to buy out two-thirds of its value — which he can't. The will's words and the family's assumptions are on a collision course, and nobody has noticed because nobody has done the sums.

In the second, a couple own a farming operation that represents a similar proportion of their wealth. One son has worked the property for twenty years and is, in every practical sense, the successor. His sister and brother built lives elsewhere. Leaving the farm to all three as co-owners is a recipe for stalemate — two owners who want their capital out and one who needs it kept in. Selling the farm to fund an equal split ends a multi-generational enterprise and evicts the child who stayed. Leaving the farm to the son and the residue to the other two produces shares so lopsided they may not survive a challenge — and may not deserve to.

The settings differ but the structure is identical: a dominant, indivisible asset with a natural successor, and other children whose fair treatment has to be funded from somewhere else. Equalisation planning is the discipline of working out where "somewhere else" is.

It's worth seeing what a resolution actually looks like in each case, because the two families end up drawing on different tools. The widowed mother's plan might combine three moves: her superannuation nominated to the two children not receiving the house; a will that grants her older son the right to occupy or acquire the home on defined terms rather than an unworkable equal share of everything; and an honest recalibration of the split itself, recognising both the years of care he provided and the rent he didn't pay. The farming couple lean on a different mix: the property to the successor son, life insurance providing meaningful sums for the other two, super directed to reinforce the balance, and a documented explanation of why the totals aren't identical — because in their family, fair and equal genuinely diverge. Neither plan is exotic. Both simply required someone to do the arithmetic before the will was signed rather than after the funeral.

The assets outside the will

Here is the insight that changes the exercise: the will only controls part of most people's wealth, and the parts it doesn't control are often the most useful equalisation tools available. It helps to be honest about what the problem usually is. Many estates are asset-rich and cash-poor, and equalisation is less about creating wealth than about creating liquidity at the right moment — which is precisely what the non-estate instruments are good at.

Superannuation is the leading example. As Issue 140 covered in detail, super death benefits do not pass through the will by default — they're paid according to the fund's rules and the member's nomination. For equalisation purposes, that's not a complication; it's an opportunity. If the farm or the house is going to one child through the estate, the super can be deliberately pointed at the others through the nomination, either directly or via the estate with the will directing it accordingly. For many households the super balance is the second-largest asset they own, which makes it the natural first source of balancing value.

The arithmetic, however, has a tax dimension that changes the answer depending on who receives what. Paid to a spouse or another tax dependant, a super death benefit is tax-free. Paid to adult, financially independent children — which is precisely who equalisation planning is usually balancing

between — the taxable component is taxed at 15 per cent, plus the Medicare levy where the benefit is paid directly from the fund, and at higher rates for any untaxed element. A nominal dollar of super is not worth the same in every child's hands as a dollar of house, and equalisation done properly compares after-tax positions, not headline figures. This is exactly the kind of arithmetic to work through with an adviser rather than estimate at the kitchen table.

Life insurance is the other non-estate instrument, and it is the closest thing equalisation planning has to a purpose-built tool. A policy on the parents' lives, structured so the proceeds flow to the non-successor children — directly as beneficiaries or through the estate with matching will provisions — manufactures the balancing cash at exactly the moment it's needed, without selling anything. Proceeds from life cover held outside superannuation are generally received free of tax. For the farming family above, cover that delivers a meaningful six-figure sum to each off-farm child can convert an indefensibly lopsided plan into a defensible one, often for an annual premium that is modest relative to the value of the asset being preserved — though premiums vary widely with age, health and cover type, which is another reason to price the strategy early rather than assume it. Insurance won't always be available — age and health can close the window — which is itself an argument for confronting the equalisation problem in one's sixties rather than one's eighties. For family businesses with multiple owners, the same funding logic extends further: buy-sell agreements backed by insurance can deliver a departing or deceased owner's value to their family in cash while the business passes cleanly to the continuing owners. Issue 129 explored insurance as wealth infrastructure more broadly; this is that idea in its most concentrated form.

One warning belongs in the same breath as both tools. The estate plan where the will carefully equalises but the nominations quietly contradict it is depressingly common — and it is usually discovered only after death, when the nomination can no longer be changed. A will that leaves the residue to the off-farm children achieves nothing if a decade-old super nomination still directs everything to the spouse of a first marriage, or a lapsed binding nomination leaves the trustee deciding. The will, the nominations and the policy ownership have to be read as one document set, because that's how they'll operate. And readers in New South Wales should know their state adds a further wrinkle: uniquely in Australia, the court's family provision powers extend to a "notional estate," which can reach assets outside the will — including super death benefits and property moved before death — where the estate itself can't satisfy a proper claim. Structuring assets outside the estate is legitimate planning; in NSW it is not a shield against provision claims, and shouldn't be designed as one.

What the will itself can do

Inside the will, the toolkit is about creating time and mechanisms where cash doesn't exist.

The simplest device is the option to purchase: the will grants the successor child the right to buy the property from the estate, often at a defined valuation methodology rather than a fixed figure, with the proceeds forming the pool that's shared. This keeps the asset available to the child who wants it while converting its value into divisible form — but it only works if the successor can finance the purchase, which loops back to the borrowing realities covered in Issue 138.

Where full financing isn't realistic, staged structures can bridge the gap: the property passes to the successor subject to a charge in favour of the siblings, paid out over an agreed period, effectively making the siblings lenders to their brother or sister. These arrangements work, but they trade a clean break for an ongoing financial relationship between siblings — with interest terms, security and default all needing the kind of documentation that Issue 137 argued family loans always need. Some families run happily on such arrangements for years. Others discover that being your sister's mortgagee changes Christmas lunch.

Testamentary trusts, covered in Issue 130, offer flexibility of a different kind — holding an asset for a period, spreading income, protecting a share from a beneficiary's creditors or relationship breakdown — though they manage the consequences of lumpy assets rather than dissolving the lumpiness itself.

There is also the option of not waiting at all. Equalisation during life — helping the off-farm children into their own homes now, matching what the successor child is effectively receiving through use of the asset — has real attractions: the parents see the benefit delivered, the recipients get it when it's most useful, and the eventual estate has less imbalance to correct. But lifetime giving carries its own machinery. Gifts can affect Age Pension entitlements under Centrelink's deprivation rules for five years, large transfers of assets other than cash can trigger capital gains tax in the giver's hands, and anything intended as an advance against inheritance rather than a plain gift needs to be documented as such — undocumented advances can become difficult to prove or account for by the time the will is read, unless the will itself expressly deals with prior advances. The interaction between lifetime gifts, loans and the estate was the subject of Issue 137, and the equalisation exercise is where that material earns its keep.

Two technical notes keep the will-side arithmetic honest. First, death is generally not itself a CGT event — assets pass to beneficiaries with the deceased's cost base rolling over — but the eventual sale by a beneficiary can be, and different assets carry very different embedded gains. A dollar of family home (usually CGT-exempt in the estate's hands within

the relevant rules, as Issue 139 explored) is not the same as a dollar of investment property acquired in 1995. Second, valuations matter more than families expect. "The farm is worth about three million" is a sentence that has started a hundred disputes; a current formal valuation, refreshed periodically, is cheap insurance against the argument.

Fairness needs a paper trail — and a conversation

Everything above is mechanics. The failure that actually breaks families is usually not mechanical.

An unequal distribution that lands as a surprise reads as a verdict — on the relationship, on decades of assumptions, on who was loved. The same distribution, explained while the parents are alive to explain it, reads as a plan. The explanation doesn't need to persuade everyone; it needs to exist, and ideally in two forms. The first is the conversation: the successor child hears what they're getting and what conditions attach; the others hear what balances it and why the total picture was judged fair. The second is the record: a letter or statement kept with the will — practitioners often call it a letter of wishes — setting out the reasoning: the years worked, the wages forgone, the gifts already made, the care given. If a family provision claim ever comes, that document speaks for parents who no longer can. More often, it means the claim never comes.

None of this removes the possibility that someone will still feel wronged. Fairness, in the end, is a judgement, and judgements can be disputed. But there is a large difference between a plan that can be explained and one that has to be guessed at — and it's a difference the family, not the parents, will live with.

Worth thinking about

If your estate holds one dominant asset, have you actually done the arithmetic on what "equal" would require — and is it achievable without selling the thing you most want kept? Do your superannuation nominations and insurance arrangements point in the same direction as your will, or were they last reviewed in a different decade? If one child is the natural successor to a property or business, what would the others receive, from what source, and how does it compare after tax? Has anything you've already given — deposits, loans, years of housing — been factored into your idea of fair? And could each of your children, a month after the funeral, explain why the plan was reasonable?

These questions sit squarely in adviser territory, because equalisation is a whole-of-balance-sheet exercise: will, super, insurance and lifetime giving working as one structure. Your next review is a good place to test whether yours currently do.

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The Document That Speaks When You Can't

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BY WEALTH ADVISER

There's a belief that quietly underpins most households' approach to medical decision-making, and it goes something like this: if something happens to me, my family will decide. My spouse knows me. My children know what I'd want. And if there's any doubt, the power of attorney we signed a few years ago covers it.

Almost every part of that belief is wrong, or at least wrong enough to matter at the worst possible moment.

Start with the power of attorney. In much of Australia, the enduring power of attorney that lets someone manage your bank accounts, pay your bills and deal with your property does not automatically give that person any authority over your medical treatment. Financial and medical decision-making are, in most states, governed by entirely separate documents under entirely separate laws. A spouse holding a beautifully drafted financial power of attorney can find themselves in a hospital meeting room with no more formal standing on treatment questions than anyone else in the family.

Then there's the assumption that "my family will decide." The law does provide for family members to make medical decisions when someone can't – but not the family collectively, and not necessarily the person you'd choose. Every state and territory has a statutory list that determines who gets asked, in strict order of priority. If you haven't formally appointed someone, the law appoints for you, and its choice may not match yours. A recent partner might rank ahead of the adult children who know you best. An estranged sibling might end up in the conversation because closer candidates were unavailable. And where family members disagree, the absence of any document recording your wishes turns a painful situation into a contested one.

The instrument that addresses this is the advance care directive – the medical counterpart to the financial power of attorney covered in detail in Issue 131 of this series. It is the least completed of the three documents that make up a household's incapacity planning, and arguably the one whose absence is felt most acutely. Research auditing the health records of more than 4,000 older Australians found that, on the nationally weighted estimate, only around 14

per cent had a legally recognised advance care directive available at the point of care, even though roughly half had some informal record of their preferences. The gap between intention and completion is enormous, and this article is about closing it.

Two decisions, one purpose

Strip away the state-by-state terminology, and advance care planning asks you to make two decisions. The first is who should make medical decisions for you if you can't make them yourself. The second is what guidance or instructions you want that person – and your treating doctors – to follow.

The first decision creates a role. Depending on where you live, the person you appoint is called an enduring guardian, a medical treatment decision maker, an attorney for health matters or a substitute decision-maker, but the function is the same: when you lose the capacity to decide, they step into the conversation with your treating team and decide on your behalf. The second decision creates a record – a statement of the treatments you would accept or refuse, and the values you'd want applied to situations nobody can fully anticipate.

Some jurisdictions combine both decisions in a single document; others split them across two. But the underlying architecture is consistent everywhere, and so is the central legal point: a valid, clearly expressed refusal of medical treatment made while you had capacity is binding. Doctors are not free to override it because the family is distressed, and the family is not free to override it because they'd choose differently. That is precisely the document's power. It takes the weight of the decision off the people at the bedside and places it back with the person the decision belongs to.

The authority runs one way, though, and it's worth being clear about what a directive cannot do. It cannot demand treatment that your doctors consider futile or clinically inappropriate – you can refuse care, but you cannot compel it. It generally operates only when you lack capacity; while you can still decide for yourself, the document sits dormant.

Capacity itself deserves a moment, because it's widely misunderstood. A directive is not triggered simply because someone is elderly, frail or living with dementia. It comes into operation when the person lacks decision-making capacity for the particular decision at hand – and capacity is decision-specific and can fluctuate. A person may be perfectly able to decide what they want for lunch, or even where they want to live, while no longer able to weigh the consequences of major surgery. The assessment sits with the treating clinicians, decision by decision, not with a single switch that flips permanently. And it is not connected to voluntary assisted dying, which operates under separate legislation with its own strict eligibility and request requirements, and which specifically cannot be requested through an advance care directive.

The companion document: how it fits with your power of attorney

Issue 131 covered the enduring power of attorney – the document that hands financial and legal decision-making to a trusted person if you lose capacity. The advance care directive and substitute decision-maker appointment complete the picture on the medical and personal side. Together with the will, these documents form the three-legged structure of personal planning: one document for your assets after death, one for your money during incapacity, one for your body and care during incapacity.

The two incapacity documents raise a question families often haven't considered: should the same person hold both roles?

There's no universally right answer, and that's rather the point – it's a genuine decision. The case for one person is coherence. Medical decisions have financial consequences, particularly in aged care, where a choice about where and how someone is cared for is inseparable from decisions about paying for it. One decision-maker sees the whole board. The case for splitting the roles is aptitude and load. The child with the financial head may not be the one with the composure for a clinical conversation, and vice versa. Splitting also builds in a degree of natural consultation: neither person can act entirely alone across the whole of your affairs.

What matters more than the configuration is that the people involved know about each other, know the documents exist, and know where they're kept. A directive nobody can locate at 2am is close to no directive at all. Directives can be uploaded to My Health Record, which puts them in front of treating clinicians when it counts, and some states operate formal registers as well.

Who decides if you do nothing

The default position deserves more attention than it usually gets, because the default is what most Australians are actually relying on.

If you lose capacity without having appointed anyone, doctors turn to a statutory hierarchy to find your decision-maker. In New South Wales, for instance, the Guardianship Act 1987 sets out the "person responsible" in descending order: an appointed guardian first, then a spouse or de facto partner in a close and continuing relationship, then an unpaid carer, then a relative or friend with a close personal relationship. Other states and territories run similar lists with local variations. If nobody on the list is available or willing, the decision can end up with a tribunal.

Read that list again with your own family in mind, because this is where the "my family will decide" assumption meets its limits. The hierarchy produces one decision-maker, not a family vote. It elevates whoever fits the highest available category, which is not always the person with the best knowledge of your wishes or the steadiest judgement under pressure. In blended families — a subject Issue 130 explored on the estate side — the statutory list can produce genuinely awkward outcomes, placing a relatively recent spouse ahead of adult children from an earlier marriage, or vice versa depending on circumstances, in exactly the kind of situation where those relationships are already strained.

Appointing your own substitute decision-maker replaces the law's guess with your choice. It's the single most consequential step in the whole exercise, and it usually costs little more than the form and any required witnessing.

What it's called where you live

Australia has no national advance care directive. Each state and territory legislates its own framework, its own forms and its own terminology, and the differences are real enough that the right starting point is always your own jurisdiction's official form.

In New South Wales, uniquely, there is no statutory directive form at all. Advance care directives are recognised under the common law — confirmed by the Supreme Court in 2009 — and a clear, voluntarily made directive that applies to the situation at hand is binding on treating clinicians. The substitute decision-maker is appointed separately as an enduring guardian under the Guardianship Act 1987. Victoria works under the Medical Treatment Planning and Decisions Act 2016: the advance care directive can contain binding instructional directives and a values directive, and the substitute role is a separately appointed medical treatment decision maker. Queensland uses an advance health directive under the Powers of Attorney Act 1998, and is one of the jurisdictions where an enduring power of attorney can extend to personal and health matters, not just financial ones. Western Australia pairs an advance health directive with an enduring power of guardianship; its enduring power of attorney remains financial only. South Australia consolidated everything in 2013 into a single advance care directive that both records your wishes and appoints substitute decision-makers. Tasmania gave advance care directives a statutory footing in November 2022 through amendments to its Guardianship and Administration Act 1995, with optional registration through the state tribunal alongside the established enduring guardian appointment. The ACT uses a health direction together with an enduring power of attorney that, as in Queensland, can cover health matters. The Northern Territory rolls everything into an advance personal plan under its own 2013 legislation.

Two practical consequences follow. First, if you complete the wrong state's form — or an unofficial template found online — you may still have created something doctors will consider as evidence of your wishes, but you may not have created a binding document. Queensland, notably, only gives binding force to its statutory directive. Second, if you've moved interstate since completing your documents, they may be recognised in your new state but with limitations and potential delays while clinicians seek advice. Redoing the documents on the local forms after an interstate move is cheap insurance against uncertainty at the bedside.

Why vague directives fail

Here is the uncomfortable truth about many completed directives: they don't help much, because they don't say anything a doctor can act on.

Statements like "I don't want to be kept alive on machines" or "no heroic measures" feel meaningful when written at the kitchen table. In a clinical setting they raise more questions than they answer. Does "machines" include a ventilator for a week while pneumonia is treated, with a good prospect of full recovery? Is antibiotic treatment a heroic measure? What about artificial feeding in late-stage dementia — the question more Australian families face than perhaps any other? A directive that cannot be mapped onto the actual decision in front of the treating team ends up being interpreted, and interpretation puts the burden right back on the family the document was meant to relieve.

The better directives combine two distinct kinds of content. Instructional directives address specific treatments in specific circumstances: consent or refusal of resuscitation, life-sustaining treatment, artificial nutrition and hydration, under conditions you define. These are the provisions with binding force — in every state and territory, a clearly expressed refusal must be followed, while general preferences must only be considered. Values statements do a different job: they explain what a good outcome looks like to you. What state of living would you consider worse than dying? How much do independence, awareness and the ability to communicate matter to you relative to length of life? Where would you want to be cared for at the end?

Neither type works well alone. Pure tick-box instructions can't anticipate every scenario, and medicine will eventually present one the form didn't contemplate. Pure values statements give your decision-maker philosophy without direction. The combination — specific refusals where you feel certain, values to guide everything else — gives both your family and your doctors something they can actually use. There is also consistent evidence for what this does for the people you leave deciding: families who know what their person wanted carry measurably less conflict and distress through the process, and clinicians can act with confidence

rather than defaulting toward continuing treatment while wishes remain unknown.

Getting to that quality of document usually means a conversation before the paperwork — ideally with your GP, who can ground the discussion in your actual health, and certainly with the person you're appointing. A directive your decision-maker has never read, recording wishes they've never heard you express, sets them up to defend choices they can't explain. The conversation is not the awkward preliminary to the document. In many ways the document is the record of the conversation.

Keeping it alive

An advance care directive is not a set-and-forget instrument. Health changes, relationships change, and medicine changes — most states allow a directive to be set aside where circumstances have shifted in ways you could not have anticipated, which is a sensible safeguard but also a reminder that a twenty-year-old document invites doubt. A practical rhythm is to revisit the directive at the same trigger points that should prompt a review of your will and power of attorney: a significant diagnosis, the death or incapacity of an appointed decision-maker, a move interstate, or simply the passage of a few years.

Witnessing requirements vary by jurisdiction and are strict — some states require a medical practitioner to certify capacity, others require authorised witnesses — so the explanatory guide attached to each state's form is worth reading rather than skimming. Once complete, distribute copies deliberately: your decision-maker, your GP, your specialist if you have one, My Health Record, and a known place at home. The document only works if it surfaces.

Worth thinking about

If you completed a directive years ago, would it still reflect your wishes today — and would the person you appointed still be your choice? Does the person who holds your financial power of attorney know who holds your medical decision-making role, and have those two people ever spoken? If you've never completed a directive, do you know who the statutory hierarchy in your state would hand your decisions to, and are you comfortable with that answer? And has the person you would appoint ever actually heard you describe what matters to you at the end of life — or would they be guessing, under pressure, in a corridor?

These are useful questions to bring to your next review, alongside your will and power of attorney. Your adviser can't complete the medical documents for you — that's a conversation for your GP and, where useful, your solicitor — but they can make sure the incapacity planning conversation covers all three legs of the structure, not just the financial one.

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THE WORK BONUS

How a Little Work Changes What You Get

BY WEALTH ADVISER

Somewhere in Australia this week, a retired nurse will turn down a fortnight of shifts, a former electrician will decline three weeks on a mate's job, and an experienced bookkeeper will say no to a small business that desperately wants her back for tax season. In each case the reason will be the same, delivered with a resigned shrug: "It's not worth it – I'll lose my pension."

It's one of the most expensive misconceptions in the retirement system, because for most Age Pensioners it's simply not how the rules work. The system is deliberately built to reward work. A single pensioner with no other assessable income can currently earn around $526 a fortnight from employment – more than $13,600 a year – before losing a single cent of pension. Take-home from work above that level still leaves them ahead, usually well ahead, because the pension reduces gradually rather than disappearing. And for pensioners whose work comes in bursts – a harvest, a locum stint, exam marking, holiday retail – a mechanism called the Work Bonus income bank means even a substantial short contract can pass through without touching the pension at all.

This article walks through how the arithmetic actually works, because the difference between the rules as assumed and the rules as written is, for many households, thousands of dollars a year and a good deal of forgone satisfaction besides.

How the income test treats a pay packet

The Age Pension means test has two halves – an income test and an assets test – and you're paid under whichever produces the lower pension. Issue 131 covered the full machinery in detail; here we need only the income side, and only its essentials.

Under the income test, a single pensioner can have assessable income of up to $226 a fortnight (the "income free area") with no effect on their pension; for a couple, the combined figure is $396. These free areas were indexed on 1 July 2026, so the figures here are current for 2026-27. Above the free area, the pension reduces by 50 cents for every additional dollar of income – combined for a couple, so 25 cents each. That taper is the detail the "I'll lose my pension" fear gets wrong: nothing falls off a cliff. Earning a dollar over the line costs 50 cents of pension, which means every extra dollar earned still leaves you at least 50 cents better off before tax, and usually more once the Work Bonus enters the picture.

Assessable income, importantly, is not just wages. Deemed income from financial investments, income streams

and rental income all feed the same test — which is why two pensioners with identical jobs can have different amounts of headroom. The worked figures below assume employment income is the only assessable income, and your own position will differ to the extent it isn't.

What the Work Bonus does

The Work Bonus is a concession layered on top of the income test, introduced expressly to remove the disincentive for pensioners to keep participating in the workforce, and it applies to one category of income only: money earned from working. The first $300 per fortnight of employment income is simply disregarded — it never enters the income test at all. It sits on top of the income free area, which is how the $526 figure above is built: $300 of wages disregarded by the Work Bonus, then $226 absorbed by the free area.

Eligible income covers wages and salary from an employer, director's fees, and self-employment income where the work involves what the rules call active participation — genuine personal exertion such as plumbing, bookkeeping, consulting or farm work. It does not cover income you receive without working for it now: managing your own investment portfolio doesn't qualify, nor does rent from an investment property, dividends, interest or superannuation drawdowns. The concession is aimed squarely at labour, and the boundary matters for the self-employed, whose Work Bonus treatment depends on the share of business income attributable to their own exertion. For self-employed pensioners, it's also generally the net income from personal exertion — not gross business turnover — that enters the assessment, a distinction that surprises people whose businesses carry meaningful costs.

Three administrative points save confusion later. First, the Work Bonus is automatic — there is no application, and it's applied when Services Australia assesses reported employment income. Second, it belongs to the individual, not the couple: each member of a working pensioner couple gets their own $300 per fortnight, and their own income bank. For a couple where both work, that's $600 a fortnight of wages disregarded before the combined $396 free area even comes into play — meaning a working pensioner couple with no other assessable income can earn nearly $1,000 a fortnight between them before the taper starts. One partner's Work Bonus can't be transferred to the other, though: a couple where one earns $600 and the other earns nothing gets one $300 disregard, not two. Third, the Work Bonus does nothing for the assets test. If your pension is set by the assets test rather than the income test, earning wages won't reduce it further — but the Work Bonus won't increase it either. Knowing which test binds you is the first question to settle, and one your adviser can answer quickly.

The steady worker

Take a single pensioner — call her Margaret — who owns her home, has modest savings, and picks up regular work at a local pharmacy paying $500 a fortnight. The Work Bonus disregards the first $300, leaving $200 assessable. That's below her $226 free area, so if her deemed income is small, her pension doesn't move at all. She banks the full $500 a fortnight, roughly $13,000 a year, on top of an untouched full pension.

Now suppose the pharmacy offers her more hours, lifting her to $900 a fortnight. After the $300 Work Bonus, $600 is assessable; $226 of that sits inside the free area, leaving $374 over the line; her pension reduces by half of that, $187 a fortnight. She's earning an extra $400 and keeping $213 of pension reduction in perspective: her total fortnightly position — wages plus pension — is still $213 higher than at $500 a fortnight, and around $713 higher than not working at all, before tax. The taper takes a share; it never takes the lot. The decision about the extra hours can then be made on its merits — energy, enjoyment, what the money is for — rather than on a mistaken belief that working is futile.

The income bank: built for bursts

The flat $300 answers the steady worker. The income bank exists for everyone else — and it's the part of the scheme almost nobody understands, which is a pity, because it's where the largest wins sit.

In any fortnight where you earn less than $300 from work — including fortnights where you earn nothing — the unused portion of your Work Bonus accrues to a personal balance called the income bank. The balance builds at up to $300 a fortnight, up to a maximum of $11,800, and it carries forward indefinitely. When a busy period arrives, the bank drains automatically against employment income that would otherwise be assessable, on top of that fortnight's $300.

Consider Ray, a retired agronomist on the Age Pension who does nothing for most of the year, then takes an intensive eight-week harvest consultancy paying $3,250 a fortnight. Because he hasn't worked all year, his income bank sits at its $11,800 maximum. Across the four fortnights of the contract, each $3,250 is reduced first by the $300 Work Bonus, leaving $2,950 — and the income bank absorbs all of it, draining by exactly $11,800 over the engagement. Assessable employment income for the whole $13,000 contract: zero. His pension doesn't move. The following year, the quiet months rebuild the bank at $300 a fortnight, and he can do it again.

This is the arithmetic that the "I can't take a big contract" instinct gets most wrong. Short, intense, well-paid work is precisely what the design accommodates best. The pattern to watch is the opposite one: sustained high earnings

There remains the biggest version of the fear: what if the work goes so well that the pension stops altogether? A long full-time stint, a genuinely lucrative contract — earnings can exhaust the Work Bonus, drain the bank, and push assessable income past the point where any pension is payable. Until a few years ago, that meant cancellation: losing the Pensioner Concession Card, and starting the whole claim process again when the work ended.

eventually exhaust both the fortnightly bonus and the bank, at which point the ordinary income test applies to the excess — gradually, via the 50-cent taper, as always.

One more feature is worth knowing for those approaching pension age. Since 1 January 2024, new entrants to the scheme start with $4,000 already credited to their income bank rather than building from zero — a change made permanent after its introduction as a temporary measure. For someone moving onto the pension while still winding down a working life, that opening credit means the first year's part-time earnings have an extra $4,000 of headroom from day one.

Even earning past the cut-off isn't the cliff it used to be

There remains the biggest version of the fear: what if the work goes so well that the pension stops altogether? A long full-time stint, a genuinely lucrative contract — earnings can exhaust the Work Bonus, drain the bank, and push assessable income past the point where any pension is payable. Until a few years ago, that meant cancellation: losing the Pensioner Concession Card, and starting the whole claim process again when the work ended.

That cliff has been substantially dismantled. Where employment income reduces an Age Pensioner's payment to nil, the pension is now suspended rather than cancelled — for up to two years — provided the income is from work as an employee in Australia and the change is reported. During the suspension, the Pensioner Concession Card is retained for up to two years, keeping the cheaper medicines and concessions that many pensioners fear losing most. When the work ends or the income falls back below the cut-off within that window, payment is restored once you contact Services Australia to request it and update your circumstances — without a new claim, without waiting periods. A partner receiving the Age Pension, Disability Support Pension or Carer Payment whose payment stops because of the same income is suspended on the same terms, and keeps their card too.

The practical effect is that saying yes to a big opportunity is no longer a one-way door. A pensioner can take a year of full-time work, watch the pension pause, and step back onto it when the engagement finishes — with the concession card in their wallet throughout. Very few people making the "it's not worth it" calculation know this rule exists.

What it doesn't do, and what you must still do

A concession this useful earns a clear statement of its limits. The Work Bonus does not shelter investment income, rent or super drawdowns; it does not apply to the assets test; and it does not extend to self-funded retirees on the Commonwealth Seniors Health Card, who sit outside the pension income test entirely. It applies to pensioners over Age Pension age receiving the Age Pension and certain other payments, including equivalent veterans' payments administered by the Department of Veterans' Affairs.

Nor is the Work Bonus a tax concession. Centrelink's income test and the ATO's income tax are entirely separate systems, and money the Work Bonus disregards for pension purposes is still ordinary taxable income. In practice, many working pensioners pay little or no tax on modest earnings — the seniors and pensioners tax offset and the low income tax offset absorb a good deal — but the point matters at higher earnings, and it matters for record-keeping: wages that never touched your pension can still belong in your tax return, alongside the Age Pension itself, which is generally taxable income. Conflating the two systems is a quiet source of end-of-year surprises.

The obligation that travels with it is reporting. Employment income must be reported to Services Australia, generally each fortnight, and the Work Bonus is then applied automatically in the assessment. "Automatically" is doing important work in that sentence: the concession is only as good as the records it operates on. Self-employed pensioners in particular should ensure Services Australia has correctly recorded the personal-exertion component of their business income, because an unrecorded figure can mean the bonus quietly isn't being applied. If pension payments don't respond to work patterns the way this article suggests they should, that's a conversation to have with Services Australia — and worth having, given what's at stake.

It's also worth saying plainly that the pension arithmetic is only one input to the decision about working. Issue 137 explored the broader question of working past 65 — the

superannuation contribution opportunities that employment income opens up, the staged path many people prefer to a hard stop, and the reasons beyond money that keep people saying yes to the right work. None of that is repeated here, except for its conclusion: the choice should be made for real reasons, with real numbers. The Work Bonus exists so that the numbers, at least, rarely argue against it.

Worth thinking about

Do you know which test — income or assets — currently sets your pension, and therefore whether extra earnings would affect it at all? If you've been declining work, have you actually run the fortnightly arithmetic, or relied on an assumption about what you'd lose? If your work is seasonal or occasional, do you know your current income bank balance — visible through your Centrelink online account — and what size of engagement it could absorb? If you're self-employed, has the personal-exertion share of your business income been recorded correctly? If you've been offered something substantial enough to stop the pension entirely, did you know it would be suspended rather than cancelled, with your concession card retained? And if you're approaching pension age with plans to keep working part-time, does the $4,000 opening credit change what your first year could look like?

These questions fit naturally into a review conversation, because the answer to almost all of them depends on the rest of your position — deemed income, the assets test, and what the work is ultimately for.

References

- *Services Australia, Work Bonus, Income test for Age Pension and Working while you're getting Age Pension (pages current at 1 July 2026)*
- *Department of Veterans' Affairs, Work bonus — rates effective 1 July 2026 ($300 per fortnight concession, $11,800 income bank maximum, $4,000 joining credit and top-up rules, worked examples)*
- *Department of Social Services, Social Security Guide, 3.4.1.70 — Suspension instead of cancellation for Age recipients with employment income; 1.2.8.20 — Pensioner Concession Card description*
- *Social Services and Other Legislation Amendment (Workforce Incentive) Act 2022 (two-year suspension and PCC retention; Work Bonus income bank increase) and subsequent amendment making the $4,000 income bank credit and $11,800 maximum permanent from 1 January 2024*
- *SuperGuide, Age Pension income test rules (from July 2026) and Age Pension Work Bonus: how it works (secondary reference for indexed thresholds and worked examples)*
- *Services Australia / DSS indexation schedules — income free areas from 1 July 2026 ($226 per fortnight single; $396 per fortnight couple combined); maximum pension rates from 20 March 2026*

Q&A: Ask a Question

Question 1

Most of my wealth is tied up in the family home, and I want to treat my three children equally. How do I make that work?

This is one of the most common – and least discussed – estate planning challenges. When one indivisible asset dominates an estate, a will that simply says "everything equally" can hand your executor a maths problem and your children a negotiation. If one child is expected to keep the home, an equal split may only be achievable if they can buy out their siblings, which often isn't realistic.

The good news is the toolkit is broader than the will alone. Superannuation death benefits don't automatically pass through your will, and life insurance proceeds often sit outside the estate as well, which makes them useful balancing tools – they can be deliberately structured to benefit the children not receiving the property. The will itself can also grant a right to occupy or an option to purchase on defined terms, rather than forcing a sale.

It's also worth recognising that equal and fair aren't always the same thing. Years of care provided, wages forgone in a family business, or gifts already made can all justify a considered difference – provided the reasoning is documented. Your adviser can help you model the numbers before the documents are signed, so the plan works in practice and not just on paper.

Question 2

My spouse has my power of attorney, so they can make my medical decisions too, right?

Not necessarily – and this catches many families out. In most states and territories, the enduring power of attorney that lets someone manage your finances gives them no formal authority over your medical treatment. Financial and medical decision-making are generally governed by separate documents under separate laws.

If you lose capacity without having formally appointed a medical decision-maker, the law appoints one for you using a statutory hierarchy – and its choice may not match yours. The result is one decision-maker, not a family vote, and in blended families especially, the outcome can be awkward at exactly the wrong moment.

Two steps close the gap. The first is appointing your own substitute decision-maker (the name of the role varies by state). The second is completing an advance care directive recording the treatments you would accept or refuse and the values you'd want applied – a valid, clearly expressed refusal of treatment made while you had capacity is legally binding. Each state has its own forms and witnessing rules, so the right starting point is your own jurisdiction's official documents. Your adviser can't complete these for you – that's a conversation for your GP and solicitor – but they can make sure your overall incapacity planning is complete, covering your care as well as your money.

Question 3

I've been offered a substantial work contract in retirement. If my Age Pension stops because of the income, do I have to reapply from scratch?

Generally not anymore – and this change has quietly removed one of the biggest fears about working in retirement.

It used to be that if earnings pushed your assessable income past the point where any pension was payable, your pension was cancelled. That meant losing the Pensioner Concession Card and starting the whole claim process again when the work ended. For many retirees, that risk alone was enough to turn down good opportunities.

Under the current rules, where employment income reduces your Age Pension to nil, the payment is suspended rather than cancelled – for up to two years – provided the suspension rules apply to your circumstances, including that the income is from eligible employment and you've reported it to Services Australia. Importantly, you keep your Pensioner Concession Card during that period, preserving cheaper medicines and other concessions. When the work finishes or your income falls back below the cut-off within that window, your payment can be restored once you contact Services Australia and update your circumstances – no new claim, no waiting periods.

Saying yes to a big opportunity is no longer a one-way door. A quick review of your Centrelink position can often show whether taking the work leaves you better off – including how the Work Bonus applies and whether your pension is currently determined under the income test or the assets test.

With all these topics, there is no single "right" choice. Your personal situation matters, and you should seek advice from a licensed financial adviser to understand what is most appropriate for you.

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