

Age Pension & Aged Care Means Test

Reference Manual for Financial Advisers

2026 Reform Framework · Rate Schedule Expiry: 30 June 2026

Foreword

This manual sets out, in plain professional language, the calculation framework used to determine a client's annual Age Pension entitlement and their projected residential aged care fees under the 2026 reform settings. It is intended as a desk reference for financial planners, accountants and aged care advisers preparing Statements of Advice or modelling client scenarios.

Every government-mandated rate, threshold and taper applied in the calculations is reproduced below in full. The structure of the manual mirrors the order in which a client's position is assessed: statutory inputs first, then eligibility classification, then the Age Pension means tests, then the aged care fee schedule, and finally the treatment of annuity products and the principles applied when optimising a Refundable Accommodation Deposit (RAD).

⚠ Expiry notice. All rates in this manual apply to the period ending 30 June 2026. A refresh of the underlying rate schedule is required at the next indexation cycle.

Part 1 — Statutory Rates, Thresholds and Tapers

The figures below are the single source of truth for every dollar amount that flows through the calculations. They are drawn directly from the published rate schedule (ac_global.csv) and apply until 30 June 2026.

1.1 Maximum Age Pension Rates (annual)

Component	Description & Value
Maximum Age Pension — Single	\$31,223.40 per annum, inclusive of the Pension Supplement and Energy Supplement.
Maximum Age Pension — Couple (combined)	\$47,070.40 per annum combined. Halved to \$23,535.20 to derive the per-person entitlement.

1.2 Asset Test — Lower Thresholds (Full Pension)

Assets at or below these levels attract the full pension. No reduction applies.

Component	Description & Value
Single Homeowner	\$321,500 — full pension threshold.
Single Non-Homeowner	\$579,500 — full pension threshold.
Couple Homeowner (combined)	\$481,500 — also applied to Illness-Separated couples.
Couple Non-Homeowner (combined)	\$739,500 — full pension threshold.

1.3 Asset Test — Upper Cut-Off Thresholds (Reference Only)

Component	Description & Value
Single Homeowner cut-off	\$722,000.
Single Non-Homeowner cut-off	\$980,000.
Couple Homeowner cut-off (combined)	\$1,085,000.
Couple Non-Homeowner cut-off (combined)	\$1,343,000.

i Note. These cut-off figures are retained for reference and disclosure only. The taper calculation reduces the entitlement to zero of its own accord once assets exceed the cut-off. No separate gate is needed.

1.4 Asset Test — Taper Rates

Component	Description & Value
Single fortnightly taper (informational)	\$3.00 per fortnight per \$1,000 of excess assets.

Component	Description & Value
Couple fortnightly taper (informational)	\$1.50 per fortnight per \$1,000 of excess assets.
Asset block size	\$1,000 — excess assets are divided into whole \$1,000 blocks. Partial blocks are disregarded.
Annual single taper (applied in engine)	\$78.00 per annum per \$1,000 of excess assets (= \$3.00 × 26 fortnights).
Annual couple taper (applied in engine)	\$39.00 per annum per \$1,000 of excess assets (= \$1.50 × 26 fortnights).

1.5 Income Test

Component	Description & Value
Single income free area	\$218.00 per fortnight — pension reduction commences above this level.
Couple income free area (combined)	\$380.00 per fortnight.
Income taper — singles and mixed-eligibility couples	50 cents per dollar of excess income.
Income taper — standard couples	25 cents per dollar of excess income, borne by each partner.
Work Bonus	\$300.00 per fortnight (\$7,800 per annum) of employment income is disregarded before the income test applies. Operates separately for client and partner.

1.6 Deeming Rates and Thresholds

Deeming applies to financial assets: cash, listed shares and superannuation (accumulation and account-based pension).

Component	Description & Value
Single deeming threshold	\$64,200 — financial assets up to this amount are deemed to earn the lower rate.
Couple deeming threshold (combined)	\$106,200 — equivalent threshold for couples.
Lower deeming rate	1.25% — applied to financial assets at or below the threshold.
Upper deeming rate	3.25% — applied to financial assets above the threshold.

1.7 Aged Care — Accommodation

Component	Description & Value
Maximum Permissible Interest Rate (MPIR)	7.96% — the annual rate used to calculate the Daily Accommodation Payment on the unpaid portion of a RAD.
Maximum Accommodation Supplement (MAS)	\$72.30 per day — the maximum government subsidy paid to a facility toward a resident's accommodation costs. Reference figure; not a client fee.

Component	Description & Value
Family home cap (aged care)	\$214,884 — the maximum value of the family home counted as an aged care asset. If the home is worth more, the assessed value is capped here.

1.8 Aged Care — Daily Fee Caps

Component	Description & Value
Basic Daily Fee (BDF)	\$66.80 per day — payable by every resident. Set at 85% of the single Age Pension rate.
Hotelling Supplement Contribution (HSC) — daily cap	\$22.15 per day — covers hotel-style services: meals, laundry, cleaning and utilities.
Non-Clinical Care Contribution (NCCC) — daily cap	\$107.32 per day — covers personal care: assistance with showering, dressing, eating and mobility.
Lifetime cap on NCCC	\$137,917.01 — once cumulative NCCC payments reach this amount, no further NCCC is payable.

1.9 Aged Care — Means Test Asset Tiers

The asset tiers below underpin the **HSC** and **NCCC** calculations. Important: the current calculation engine implements the HSC using **Tier 1 only** (17.5% above \$64,500) and the NCCC using **the NCCC asset-free area only** (7.8% above \$536,384). Tiers 2 and 3 are documented here for reference and disclosure purposes.

Component	Description & Value
Tier 1 — asset free area	\$64,500 — assets at or below this level are disregarded for HSC.
Tier 1 — upper boundary	\$214,884.
Tier 2 — lower threshold	\$258,000.
Tier 2 — upper boundary	\$361,366.66.
Tier 3 — lower threshold	\$536,384.
NCCC asset-free area (Tier 4 / engine threshold)	\$536,384 — assets below this level attract no NCCC asset component. This is the threshold applied by the NCCC calculation.
Annual asset levy — Tier 1 (HSC)	17.5% applied to assets above \$64,500.
Annual asset levy — Tiers 2 & 3 / NCCC	7.8% applied to assets above the relevant threshold.

1.10 Aged Care — Means Test Income Tiers

Component	Description & Value
Tier 1 income free area — Single	\$35,313.20 per annum.
Tier 1 income free area — Couple	\$34,585.20 per annum.

Component	Description & Value
Tier 1 income ceiling — Single	\$87,947.60 per annum.
Tier 1 income ceiling — Couple	\$87,219.60 per annum.
Tier 2 lower threshold — Single/Couple	\$101,105.00 per annum.
Tier 2 upper boundary — Single/Couple	\$117,230.20 per annum.
NCCC income free area — Single	\$141,252.80 per annum.
NCCC income free area — Couple	\$138,340.80 per annum.
Income taper rate	50% — income above the relevant free area is assessed at 50 cents in the dollar for both HSC and NCCC.

Part 2 — Pre-Calculation Checks

Three preparatory checks are performed before any dollar figure is computed. Together they confirm that the client's date of birth is valid, identify their pension age, calculate their current age, and standardise the marital status descriptor used by the means tests.

2.1 Date of Birth Validation

The client's date of birth is normalised to a calendar date. Where no date of birth is provided, the field is treated as missing and downstream age-eligibility tests will not certify the client as having reached pension age.

2.2 Age Pension Age

Pension age is determined by the client's date of birth in accordance with the legislated phase-in:

Component	Description & Value
Born before 1 July 1952	Pension age: 65.
Born 1 July 1952 to 31 December 1953	Pension age: 65 years and 6 months.
Born 1 January 1954 to 30 June 1955	Pension age: 66.
Born 1 July 1955 to 31 December 1956	Pension age: 66 years and 6 months.
Born on or after 1 January 1957	Pension age: 67.

2.3 Current Age

Current age is calculated by reference to today's date, with one year deducted where the client's birthday has not yet occurred in the current calendar year. Where no valid date of birth is held, a safe placeholder is applied so the calculation does not fail; the age-eligibility gate will then withhold any payment.

2.4 Marital Status Mapping

The user-facing marital status options are translated into the four categories used by the means tests:

Component	Description & Value
Single	Treated as Single.
Partnered	Treated as Couple.
Partnered — One Eligible	Treated as Couple where only one partner is eligible (mixed eligibility). Income taper is 50 cents per dollar, not 25.
Partnered — Illness Separated	Treated as Couple separated due to illness. Each partner assessed at single pension rate but couple asset thresholds apply.

Part 3 — The Age Pension Calculation

The Age Pension result is the central outcome of the calculation. It is determined in five sequential stages, beginning with client classification and ending with a single annual entitlement figure.

Stage 1 — Client Classification

The marital status descriptor sets four classification flags that govern every subsequent branch of the calculation:

- Single — the client is unpartnered.
- Couple — the client is partnered (including illness-separated and mixed-eligibility households).
- Illness-separated — each partner is assessed at the single pension rate while retaining couple asset thresholds.
- Mixed-eligibility — one partner has reached pension age; the other has not.

i Why classification matters. Each fork in the means test logic — which threshold to apply, which taper to use, which maximum pension to compare against — is determined by these four classifications.

Stage 2 — Net Assessable Assets

The engine aggregates every assessable asset held by the client (and partner, where relevant) and subtracts non-mortgage liabilities.

Assets included

- Cash holdings — client, partner and joint accounts.
- Listed shares — client, partner and joint.
- Superannuation — accumulation balances and account-based pensions for both client and partner.
- Personal assets — household furniture, motor vehicles, boats and similar chattels.
- Investment property — the assessed value of any non-principal-place-of-residence real estate.
- Annuity asset value — calculated separately under the annuity rules in Part 5.
- Partner annuity — any separately reported partner annuity value.

Deductions

- Investment liabilities — loans secured against investments.
- Other liabilities.
- **Note:** the mortgage on the principal residence is tracked separately for aged care purposes and is not deducted from the pension asset base.

Result. Net Assessable Assets = total assets – non-mortgage liabilities, floored at zero. A negative balance is not permitted.

Stage 3 — The Asset Test

The asset test asks: given the client's net wealth, what level of pension is permitted?

Step A — Identify the Lower Threshold

Component	Description & Value
Single homeowner	\$321,500.
Single non-homeowner	\$579,500.
Couple homeowner (also applied to Illness-Separated couples)	\$481,500.
Couple non-homeowner	\$739,500.

Step B — Calculate Excess Assets

Excess assets = Net Assessable Assets – applicable threshold, floored at zero. Where assets fall below the threshold, the full pension applies.

Step C — Calculate the Annual Asset-Test Reduction

The excess is divided into whole \$1,000 blocks; partial blocks are disregarded. Each block reduces the annual pension by:

Component	Description & Value
Single annual taper	\$78 per annum per \$1,000 of excess assets.
Couple annual taper (including illness-separated)	\$39 per annum per \$1,000 of excess assets.

Step D — Maximum Pension for This Client

Component	Description & Value
Single or Illness-Separated	\$31,223.40 per annum (single rate per person).
Standard Couple (per person)	\$23,535.20 per annum (\$47,070.40 combined, halved).

Step E — Apply the Floor

Pension allowed by asset test = maximum pension – asset-test reduction, floored at zero.

i Why a separate cut-off is unnecessary. When excess assets are large enough that the reduction exceeds the maximum pension, the zero floor naturally cuts the pension off. The cut-off thresholds in Section 1.3 do not need to be applied as a separate gate.

Stage 4 — The Income Test

The income test asks the same question from the income side: given the client's earning capacity, what level of pension is permitted?

Step A — Deemed Income from Financial Assets

Centrelink does not assess actual earnings on financial assets; it deems them to earn at set rates. The deeming base is cash + shares + superannuation.

Component	Description & Value
Lower deeming rate (1.25%)	Applied to the deeming base up to the relevant threshold.
Single threshold / Couple threshold (combined)	\$64,200 / \$106,200 — the pivot point between the two rates.
Upper deeming rate (3.25%)	Applied to the deeming base above the threshold.

Formula: if base \leq threshold \rightarrow deemed income = base \times 1.25%. If base $>$ threshold \rightarrow deemed income = (threshold \times 1.25%) + ((base – threshold) \times 3.25%).

Step B — Employment Income (with Work Bonus)

The Work Bonus disregards \$300 per fortnight (\$7,800 per annum) of employment income per person before the income test applies. Only the excess is assessed.

Step C — Other Income

All other income is added at face value: investment income, rental income, annuity income (after the deductible component — see Part 5), and partner pension income.

Step D — Apply the Free Area and Taper

Component	Description & Value
Singles free area	\$218 per fortnight.
Couples free area (combined)	\$380 per fortnight.

Component	Description & Value
Singles and mixed-eligibility couples	50 cents per dollar of excess income, annualised.
Standard couples	25 cents per dollar of excess income per partner, annualised.

Pension allowed by income test = maximum pension – annualised income-test reduction, floored at zero.

Stage 5 — The Final Pension

Centrelink applies the lower of the two test outcomes. This is the governing test principle.

Age Eligibility Gate

Component	Description & Value
Current age \geq pension age	Theoretical pension is paid.
Current age $<$ pension age	Pension is set to nil. Status: Not Eligible (Age).

Final Status Label

Component	Description & Value
Final pension ≤ \$1	Not Eligible (Means) — means tests have eliminated the entitlement.
No reduction applied	Full Pension.
Some reduction applied	Part Pension.

Part 4 — The Aged Care Calculation

The aged care section runs after the Age Pension result has been finalised. It addresses a different question: what will this resident pay each day in residential aged care, and what will the cumulative cost be over the projected stay?

Stage 6 — Aged Care Asset Base

The aged care asset base differs from the pension asset base in two respects, both of which add value.

Addition 1 — The Refundable Accommodation Deposit (RAD)

The lump sum paid on entry to the facility is exempt from the pension asset test but is added back into the asset base for aged care means testing.

Addition 2 — The Family Home (Capped)

The family home may be partially included depending on residency status:

Component	Description & Value
Partner remains in the home	Home value included: \$0. The home is fully protected while the partner resides there.
Home is vacant or has been sold	Home value included: the lesser of net home equity and \$214,884 (the family home cap).
Family home cap	\$214,884 — the maximum home value that can be assessed as an aged care asset.

Per-Person Split for Couples

Aged care assessments are conducted per person. For couples, total household aged care assets are halved to derive each partner's assessed position.

Stage 7 — Aged Care Income Base

Aged care income is assessed per person and is constructed from three components.

Component A — Ordinary Income

Includes employment income, the client's Age Pension, the partner's Age Pension (calculated dynamically — see callout below) and annuity income. For couples, the combined figure is halved.

Dynamic partner pension. The partner's pension is not a static input. It is recalculated based on the pension result just determined for the main client. Where the partner is flagged as eligible and the main client's pension is greater than zero, the same pension amount is attributed to the partner. Movements in one person's asset position therefore flow through to both sides of the household income figure.

Component B — Deemed Investment Income

The same deeming logic applied in the pension income test is applied here, on a per-person asset base (total household financial assets divided by two for couples).

Component C — Total Aged Care Income

Total aged care income = ordinary income + deemed investment income.

Stage 8 — Hotelling Supplement Contribution (HSC)

The HSC funds hotel-style services: meals, laundry, cleaning and utilities. It is the lighter of the two means tests.

Asset Component

Component	Description & Value
Asset free area	\$64,500 — assets at or below this level contribute nothing.
Annual asset levy	17.5% applied to per-person aged care assets above \$64,500.

Income Component

Component	Description & Value
Income free area — Single	\$35,313.20 per annum.
Income free area — Couple	\$34,585.20 per annum.
Income taper rate	50% of aged care income above the relevant free area, calculated on an annual basis.

Daily HSC

Annual HSC = asset component + income component. Divide by 365 to convert to a daily rate.

Correction. The daily divisor is 365, not 364. Services Australia uses 365 as the standard annual divisor for aged care fees, consistent with per-day billing that includes leap years.

The daily HSC is capped at \$22.15. The result will never exceed this maximum.

Stage 9 — Non-Clinical Care Contribution (NCCC)

The NCCC funds personal care including assistance with showering, dressing, eating and mobility. It is the heavier means test, with materially higher free areas reflecting the 2026 reforms — only wealthier residents will pay the full amount.

Asset Component

Component	Description & Value
Asset free area	\$536,384 — substantially higher than the HSC free area.
Annual asset levy	7.8% applied to per-person aged care assets above \$536,384.

Income Component

Component	Description & Value
Income free area — Single	\$141,252.80 per annum.
Income free area — Couple	\$138,340.80 per annum.
Income taper rate	50% of aged care income above the relevant free area.

Daily NCCC, Daily Cap and Lifetime Cap

Annual NCCC = asset component + income component. Divide by 365 to convert to a daily rate (same 365-day divisor as HSC).

Component	Description & Value
Daily cap	\$107.32 per day.
Lifetime cap	\$137,917.01 — once cumulative NCCC payments reach this amount, the resident pays no further NCCC.

Projected lifetime NCCC = daily NCCC × 365 × years in care, capped at the lifetime maximum.

Stage 10 — Daily Accommodation Payment (DAP)

Where a resident pays only part of the room price as a RAD lump sum, the unpaid balance accrues interest at the MPIR. This daily interest is the DAP.

Component	Description & Value
MPIR	7.96% per annum — the annual rate applied to the unpaid room balance.
Formula	$DAP \text{ (daily)} = (\text{Room price} - \text{RAD paid}) \times 7.96\% \div 365.$
Unpaid RAD	Room price less the RAD paid, floored at zero.

Effect of paying the full RAD. Where the RAD is paid in full on entry, the unpaid balance is zero and the DAP is therefore zero. Each additional dollar of RAD paid reduces the ongoing DAP by 7.96 cents per annum.

DAP Projection (Compounded)

The engine projects the total DAP cost over the planned stay using a **3% annual escalation assumption** on the daily DAP, compounded annually:

Formula: $DAP \text{ Total} = DAP_{\text{daily}} \times 365 \times ((1.03^{\text{years}} - 1) \div 0.03)$

△ Disclosure. The 3% escalation is a planning assumption embedded in the calculation engine. It reflects expected real fee growth. This assumption should be disclosed to clients as part of any aged care projection.

Stage 11 — RAD Retention

Facilities retain 2% of the RAD per annum, capped at five years (a maximum of 10% in total), as a non-refundable amount.

Formula: Retention = RAD paid × 2% × min(years in care, 5)

Retention is added to the lifetime cost projection but is not a daily fee — it is applied as a deduction from the RAD refund when the resident leaves.

Stage 12 — Grand Total Cost Projection

The engine consolidates daily fees, lifetime contributions and accommodation costs into a single projected total for the planned length of stay.

Component	Description & Value
DAP total	Compounded projection of the daily DAP over the planned stay (3% annual growth, see Stage 10).
Retention	RAD paid × 2% × min(years in care, 5).
NCCC total	Projected lifetime NCCC, capped at \$137,917.01.
HSC + Basic Daily Fee	(HSC daily + \$66.80) × 365 × years in care.

Grand total = DAP total + retention + capped NCCC + (HSC + Basic Daily Fee) × 365 × years in care.

△ Important. The grand total is a planning projection, not a guarantee. It assumes that fees, the MPIR and the resident's circumstances remain constant for the projected length of stay. It should be presented to clients as a planning tool only.

Part 5 — Treatment of Annuity Products

Annuity products are valued and assessed for income separately, because the asset value and the assessable income each year are not the same as the contractual cash flows. The outputs feed into both the asset test and the income test.

5.1 Asset Value of an Annuity

Fixed-Term Annuities

A fixed-term annuity depletes its capital over the term. The asset value at any point in time is the amount of capital not yet returned to the client.

Component	Description & Value
Residual Capital Value (RCV)	Purchase price × contractual residual percentage. This is the guaranteed remainder at the end of the term.
Annual capital return	$(\text{Purchase price} - \text{RCV}) \div \text{term}$.
Current asset value	$\max(\text{RCV}, \text{purchase price} - (\text{annual capital return} \times \text{years held}))$.

Lifetime Annuities

Centrelink uses a flat-factor approach for lifetime annuities.

Component	Description & Value
Standard factor	60% of the purchase price — applied in most circumstances.
Reduced factor (eligible)	30% of the purchase price — available where the client is over 84 years of age AND has held the annuity for five or more years.
Asset value	$\text{Purchase price} \times \text{applicable factor (30\% or 60\%)}$.

5.2 Assessable Income from an Annuity

Not all annuity payments count as assessable income; part of each payment is treated as a return of the original capital and is disregarded.

Lifetime Annuities

Assessable income = annual payment × 60%. The remaining 40% of each payment is treated as a return of capital.

Fixed-Term Annuities

Deductible amount = $(\text{purchase price} - \text{RCV}) \div \text{term}$. Assessable income = annual payment – deductible, floored at zero. Only the earnings component above the capital return is counted as income.

Part 6 — RAD Optimisation

The optimisation analysis sits alongside the calculation engine. Its purpose is not to compute fees but to identify the RAD amount that best balances aged care costs, pension entitlement and remaining liquidity for the client.

The Problem

There is a structural tension in residential aged care funding. Paying a larger RAD reduces the daily DAP and so lowers ongoing fees, but it also depletes liquid assets. Lower assessable assets can lift the Age Pension entitlement — which is favourable — but the depletion of liquidity may leave the client cash-poor. The objective of the optimiser is to identify the RAD level that strikes the most favourable balance between these competing forces.

Method

The optimiser tests every RAD value between \$0 and the maximum payable, in increments of \$10,000. For each scenario it performs the following steps:

- Step 1 — Simulate the drawdown of assets to fund the RAD
- Step 2 — Run the full pension and aged care calculation engine on the post-RAD asset position.
- Step 3 — Estimate the tax payable on the resulting income position (SAPTO applied where eligible).
- Step 4 — Calculate net cash flow as income received less tax less all aged care fees.
- Step 5 — Score the scenario as the annual pension less the projected total aged care cost.

Two Candidate Pools

Component	Description & Value
Primary pool (preferred)	Scenarios in which net cash flow is non-negative AND remaining liquid assets meet or exceed the minimum liquidity buffer. The highest-scoring scenario in this pool wins.
Fallback pool	All other scenarios. The fallback is engaged only where the primary pool contains no candidates. The scenario with the highest net cash flow wins.

The optimiser returns a single dollar figure: the recommended RAD payment.

Part 7 — One-Page Summary: The Flow of Money

The complete calculation flow, end to end.

Step 1 — Load and Classify

Read the client profile. Classify as Single, Couple, Illness-Separated or Mixed-Eligibility, and note homeowner status.

Step 2 — Aggregate Assets

Cash + shares + superannuation + personal assets + investment property + annuity value – liabilities = Net Assessable Assets.

Step 3 — Asset Test

Identify the lower threshold (\$321,500 / \$579,500 / \$481,500 / \$739,500). Deduct from Net Assessable Assets. Divide excess by \$1,000. Multiply by the applicable taper (\$78 or \$39). Deduct from maximum pension. Floor at zero. Result: pension allowed by the asset test.

Step 4 — Income Test

Add deemed income + employment income (less Work Bonus) + other income. Compare to the income free area. Apply the appropriate taper. Deduct from maximum pension. Floor at zero. Result: pension allowed by the income test.

Step 5 — Age Gate and Final Pension

Where the client has reached pension age, the final pension is the lower of the two test outcomes. Where not, the pension is nil.

Step 6 — Aged Care Asset Base

Net Assessable Assets + RAD paid + capped home equity (where home is unprotected) = total household aged care assets. Divide by two for couples.

Step 7 — Aged Care Income Base

Pension + other income + partner pension (calculated dynamically) + deemed returns on assets = total aged care income.

Step 8 — Hotelling Supplement Contribution

17.5% of assets above \$64,500 + 50% of income above the free area → divide by 365 → cap at \$22.15 per day.

Step 9 — Non-Clinical Care Contribution

7.8% of assets above \$536,384 + 50% of income above the free area → divide by 365 → cap at \$107.32 per day → apply lifetime cap of \$137,917.01.

Step 10 — Daily Accommodation Payment

(Room price – RAD paid) × 7.96% ÷ 365. Total DAP projected using 3% annual escalation, compounded over the stay.

Step 11 — Grand Total

DAP (compounded) + retention (2% per annum on RAD, capped at 5 years) + total NCCC + (HSC + Basic Daily Fee) × 365 × years in care = total projected aged care cost.

