Over 65 but not yet ready to retire?

The days of retiring as soon as you can get an age pension may well be over. With Australians living longer and healthier lives than ever before, many seniors are choosing to stay in the workforce. In fact, around 13% of Australians aged 65 or over are still working, up from around 9% a decade ago.

If you're heading towards 65 and could do with extra cash, or you simply need more time to ease into retirement, there's some good news. The Australian Government has introduced a range of incentives to support older Australians who choose to remain in employment.

Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information.

Here are three incentives to help you keep working at 65 – and beyond.

1. Boosting your Super

Even if you haven't retired, you're generally allowed full access to your super when you turn 65. So if you're on a low income, for example, or if you're working part-time, you can draw on your retirement savings to supplement your earnings. Another option is to receive a tax-free income stream from your super to allow you to make or increase tax-effective super contributions (for example, through salary sacrificing).

If you work for an employer and are earning at least $450 a month, they're generally required to make compulsory Super Guarantee payments for you. To make voluntary contributions once you turn 65, for most types of contributions you must satisfy a 'work test' during the financial year. Once you reach the age of 75, you'll no longer be able make most types of voluntary contributions, whether you're working or not.

It's important to remember that compulsory employer contributions (such as Super Guarantee payments), and downsizer contributions can be made regardless of your work status or age.

You should also be aware that the government has announced a proposal to relax the work test for some recent retirees, as part of the 2018 Federal Budget. The proposal would mean that retirees aged 65–74 who have less than $300,000 in super will be able to keep making voluntary contributions for up to 12 months after the financial year when they last satisfied the work test. If the proposal is legislated, it will take effect on 1 July 2019.

Remember, the usual contributions caps still apply if you make contributions after age 65. So in any financial year, you can make up to $25,000 worth of before-tax contributions (including compulsory contributions such as your employer's Super Guarantee payments) or up to $100,000 worth of after-tax contributions (provided your total super balance across all funds was less than $1.6 million just before the start of the financial year).

2. Tax Offsets

Once you turn 60, any money you draw from your super (either as a lump sum or a regular income stream) is usually tax free. What's more, once you reach the pension age requirement, you may be eligible for the Seniors and Pensions Tax Offset (SAPTO), which lets you earn more before you have to pay tax or the Medicare Levy.

Depending on your circumstances, the SAPTO can lift the tax-free threshold up to $32,279 for a single pensioner or $57,948 for a couple. And if you and your spouse are both eligible for SAPTO, you may be able to have some of their unused offset transferred to you.

But SAPTO isn't the only tax offset you could benefit from. You may also receive the Low Income Tax Offset (LITO) if you're a low-income earner. And you might also be able to claim an offset for the costs of disability aids, attendant care or aged care, if these medical expenses exceed a certain threshold. To receive these tax offsets, you'll need to meet certain requirements and conditions, so speak to your financial adviser.

As part of the 2018 Federal Budget, the government announced a temporary additional tax offset for low and middle income earners from the 2018–19 financial year until the 2021–22 financial year. Depending on your circumstances, this offset may be worth up to $530 annually.

3. Getting Centrelink Benefits

When you reach a specific age, you may be eligible for the age pension. Since 1 July 2017, this age ranges from 65 years and 6 months to 67 years, depending on your date of birth.

The age pension is currently worth up to $834.40 per fortnight for a single person or $1,258.00 per fortnight for couples, not including the pension supplement or energy supplement. Your pension entitlement is determined by the income test and the assets test – whichever one has the lower result based on your financial situation.

Under the income test, you can earn extra income of up to $172 per fortnight (or $304 for couples), before it impacts your pension. Once your assessable income exceeds this threshold, your pension will be reduced by 50 cents for every dollar you earn.

In addition, the Pension Work Bonus is designed to assist pensioners who are still working. Under this scheme, the first $250 of your fortnightly employment income won't be included in the pension income test. If you earn less than $250 a fortnight, the difference will build up in a Work Bonus income bank – to a maximum of $6,500 – to offset any future employment income.

The government is proposing to expand the Pension Work Bonus scheme by $50 a week from 1 July 2019. This will allow you to earn up to $300 a fortnight without impacting your pension, with the maximum accrual amount increasing to $7,800. The government has also proposed to extend the scheme to self-employed people from that date.

Source: Colonial First State