



HESTA: INCOME PROTECTION

The Welfare Rights Centre is a community legal centre which specialises in social security law and its administration by Centrelink.

This Factsheet is for HESTA members specifically about what Centrelink payments you may be eligible for and how Centrelink payments are affected if you are or are about to receive income protection.

PLEASE NOTE: This factsheet has been updated to reflect the changes in HESTA's insurance policies, effective as of 1 March 2018.

Income protection (IP) and Centrelink payments

You and your family members may be entitled to Social Security or Family Tax Benefit payments during the time you are not able to work. If you stop working because of a disability or are on leave you may be entitled to the Disability Support Pension, Newstart Allowance or Sickness Allowance. If someone is caring for you in that time they may also be entitled to Carer Payment or Carer Allowance.

How our Centre can help you

We are a free legal service that is independent of Centrelink. We can provide you with free legal advice, information and assistance about your rights, entitlements and obligations under social security law.

Our Centre can provide you with:

- advice about social security entitlements you or your family members may be entitled to;
- advice about how your IP payments may impact on your rate of social security and Family Tax Benefit payments;
- advice about how other sources of income that you have in addition to IP (such as workers

compensation) affect your social security and Family Tax Benefit Payments; and

- advocacy on your behalf with Centrelink or representation in appeals to the Administrative Appeals Tribunal (after assessment of the merits of your case).

Claiming a Centrelink payment

You can claim most Centrelink payments online. When you claim online you will need an existing MyGov account. If you do not have a MyGov account you will need to create one. You can find information at;

www.humanservices.gov.au/individuals/centrelink

You will need to provide the following with your claim;

- proof of identity;
- Tax File Number;
- Employment Separation Certificate (if relevant)
- copy of your lease or a Rent Certificate (Centrelink form) if claiming Rent Assistance;
- details of income you or your partner receive;
- details of your and your partner's assets; and
- bank account/s balance.

Other evidence may be required depending on the payment you are claiming. Contact Centrelink or check the Centrelink website for details.

There are provisions for people who are vulnerable. If you are having difficulty providing these documents you should contact Centrelink to discuss this. It is likely you will need to provide evidence of your circumstances.

Centrelink treats IP payments as income

If you receive IP payments from HESTA, Centrelink will treat this as income and this may affect you and/or your partner's rate of Centrelink payment.

If you are in receipt of a social security payment, you need to advise Centrelink **within 14 days** that you commenced to receive an IP payment from HESTA. You also need to tell Centrelink if the rate of the IP payment changes.

Receiving a lump sum of IP payments for a past period

If HESTA back pays you a lump sum of IP payments and you were receiving Centrelink payments during that past period, Centrelink will recalculate your payments and apply the relevant income test. You will be notified if you have an overpayment. This amount may come out of your lump sum before you receive it.

You can appeal this overpayment at any time but these types of overpayments usually have to be repaid. To appeal you will need to tell Centrelink you want to appeal the overpayment to an Authorised Review Officer.

If you have urgent expenses and cannot pay all the debt back at once, you can call Centrelink on 1800 076 072 and negotiate a repayment plan.

Examples

These examples explain how HESTA IP payments affect someone on a Centrelink payment. The Centrelink payment rates are accurate as at April 2019.

Example 1: Allowance income test

Alice is a HESTA member, 25 years old and single with no children. She is insured for 2 units of IP cover. Alice is unwell and is taking extended time off work. She is eligible for Sickness Allowance. The maximum fortnightly rate of Sickness Allowance for Alice is **\$555.70**. This amount does **not** include rent assistance or supplements.

When Alice is approved and paid IP from HESTA, she is eligible to receive \$950 a month. Alice has to report this to Centrelink within 14 days of receiving the money.

As the amount of IP payments will remain the same each month, Centrelink will take the annual amount she will receive from HESTA and divide it by 26 to get a fortnightly amount.

Centrelink records income each fortnight and Alice's rate of Sickness Allowance will be reduced by the same amount each fortnight.

This means that Alice's IP payments will be treated as income at the rate of **\$438.46** a fortnight. If Alice does not earn any other income the following is what her rate of Sickness Allowance will be:

Income free area	\$0-104	No impact
Each \$1 earned in this range reduces allowance by 50 cents	\$104-254	254 - 104 = 150 150 x 50c = \$75 reduction
Each \$1 earned over \$254 reduces allowance by 60 cents	\$254+	438.46 - 255 = 183.46 183.46 x 60c = \$110.08 reduction
	Total reduction	75 + 110.08 =\$185.08

If Alice's maximum rate of Sickness Allowance is \$555.70, minus the total reduction of \$185.08, she will receive **\$370.62** from Centrelink (not including rent assistance or supplements) in addition to her IP monthly payments.

Example 2: Pension income test

Michael is a HESTA member, is 42 years old, single and has no children. Michael is insured for two units of IP cover and for Centrelink purposes receives **\$438.46** a fortnight. Michael qualifies for the Disability Support Pension (DSP). The maximum rate of DSP for Michael is \$843.60. This amount does **not** include rent assistance or supplements.

Income free area	\$0-172	No impact
Each \$1 earned in this range reduces the pension by 50 cents	\$172+	438.46 - 172 = 266.46 266.46 x 50c = \$133.23 reduction
	Total reduction	=\$133.23

Michael's maximum rate of the DSP not including rent assistance or supplements is **\$710.37** in addition to his monthly IP payments.

Example 3: Couple pension test

Abi is a HESTA member. She is 35 years old, a member of a couple with no children. Abi's partner receives a social security payment. Abi qualifies for the Disability Support Pension (DSP). Abi is insured for two units of IP cover. The maximum basic rate for DSP for a member of a couple is **\$635.90**. This does not include rent assistance or supplements.

The income test for members of a couple is different for those who are single. The income free area for members of a couple is combined income.

Income free area	\$0 - 304	No impact
Each \$1 earned in this range reduces the pension by 25 cents	\$304+	438.46 - 304 = 134.46 138.46 x 25c = \$33.62 reduction
	Total reduction	= \$33.62

Abi's IP payments reduce her rate of DSP, she will receive **\$602.28** in addition to her monthly IP payments.

Superannuation payments

If you are below Age Pension age, your superannuation assets are exempt from the income and assets test for Centrelink purposes.

Different rules apply if you access your superannuation early or convert it to an income stream. Centrelink can treat the early release of superannuation or conversion to an income stream as an asset and/or income.

If you are Age Pension age or older, your superannuation will be assessed under the income and assets test and affect your rate of Age Pension accordingly.

Total and permanent disability payments

If you access a lump sum payment for total and permanent disability (TPD), you will need to notify Centrelink within 14 days of this happening.

In some cases a person's social security payment may be cancelled for a period when they receive this lump sum or Centrelink may treat it as an asset. You should not spend this money until Centrelink makes a decision about how they will treat your TPD payment.

You can get advice from our Centre when you receive a decision. If you do not agree with the decision you should appeal within 13 weeks of receiving the decision.

Compensation payments

If you receive a lump sum compensation payment that includes an amount for economic loss, this may impact on your entitlement to a Centrelink payment.

Centrelink will calculate a period throughout which you will be precluded from receiving Centrelink payments. These periods can be lengthy and you should not spend your compensation money as soon as you receive it. You should seek financial advice about how to make that money last during the compensation preclusion period.

We have a Factsheet on compensation preclusion periods on our website which provides further information on this topic.

Appeal rights

If Centrelink has made a decision, for example whether it is to reject your claim for a payment or you disagree with the rate of payment you are receiving, you have the right to appeal that decision to an Authorised Review Officer. You will need to appeal this decision within 13 weeks of the previous decision to ensure full arrears are payable.

THIS FACTSHEET CONTAINS INFORMATION ONLY. IT MUST NOT BE RELIED ON AS LEGAL ADVICE. YOU SHOULD SEEK LEGAL ADVICE ABOUT YOUR PARTICULAR MATTER FROM THE WELFARE RIGHTS CENTRE.