Appendix Six

Assumptions underlying the Centrestone Case Study

The Centrestone case study cited in Box 9.1 regarding John and Margaret is based on the following assumptions:

- The cost of living of $60,000 is indexed annually by 2.5 per cent to represent an assumed rate of inflation;
- The income support payable is indexed each year by 2.5 per cent to represent an assumed rate of inflation;
- The earning rate of the assumed mix of superannuation is 6.08 per cent for the first two years due to the higher proportion of cash to allow for initial anticipated withdrawals. The average earning rate in later years is 6.57 per cent as the cash holding has been withdrawn;
- John and Margaret have a car and caravan, which they owned before the redundancy payout, valued in the first year at $50,000. After ten years, the value is estimated to be $10,000;
- Financial planning fees are applicable as per our set fee structure and are in addition to the $60,000 cost of living;
- Neither John nor Margaret pay income tax on the income support received due to rebates;
- The total assessable assets they hold are less than the current asset test threshold and the income counting from all sources is less than the current income test threshold;
- At commencement, John had $50,000 of undeducted contributions;
- John and Margaret initially had $7,500 cash at the bank when they were both receiving allowances and home contents value of $10,000 has remained constant; and
- The income support income and asset test thresholds used are based on current values.