

Treatment of Annuity Scheme

Q1. Will the premium payment (paid in a lump-sum or by instalments) placed with an annuity scheme and the payout (normally on a monthly basis) under the annuity scheme be counted in the financial test of Old Age Living Allowance (OALA)?

A1. The payout provided under the annuity scheme will be counted as monthly income under OALA (including Normal OALA and Higher OALA), while the one-off lump-sum or instalment premium payment placed with the annuity scheme will not be counted as asset. However, if a recipient surrenders or partially surrenders the policy under the annuity scheme, the surrender value (if any) will be regarded as asset.

Q2. If an elderly person has participated in an annuity scheme, can he/she apply for Normal OALA/Higher OALA?

A2. Whether to participate in any annuity scheme is a matter of personal decision of elderly persons. Please refer to Q&A 1 for the treatment of relevant resources for elderly persons who have participated in annuity scheme.

For example, a singleton male elderly person aged 65 receives a pension of \$2,500 per month (his only source of income) and has an asset of \$600,000 (according to the definition of assets under OALA). If he chooses to place \$500,000 with an annuity scheme, he will receive a payout of about \$2,900 per month from the annuity scheme ^(Note). Since his asset level will become \$100,000 after participating in the annuity scheme (the one-off lump-sum premium payment of \$500,000 placed with the annuity scheme is not counted as asset) and his total monthly income will be about \$5,400 (i.e. monthly pension \$2,500 + monthly payout of \$2,900 under the annuity scheme), he meets the asset and income limits of Higher OALA (i.e. asset at \$150,000 and monthly income at \$7,970 for elderly singleton). Subject to meeting other eligibility criteria (including the residence requirements), he will be eligible for Higher OALA (currently at \$3,585 per month).

Note: *The return rate is estimated with reference to the HKMC Annuity Plan of the HKMC Annuity Limited.*

Q3. For elderly persons who subscribe the HKMC Annuity Plan and the other annuity products operated by private sectors at the same time, how would the payouts and one-off lump-sum or instalment premium payment be counted under OALA?

A3. Please refer to Q&A 1. In simple terms, if an elderly person participates in more than one annuity scheme, the payouts under the schemes will be

counted as his/her monthly income in an aggregated manner, while the one-off lump-sum or instalment premium payment under the schemes will not be counted as asset.

Q4. If the regular payout is not paid on a monthly basis, how would it be calculated as income under OALA?

A4. If the payout is provided quarterly, half-yearly or yearly, etc., the amount has to be apportioned according to the number of months covered and counted as the monthly income starting from the month following the date of receipt. For instance, if an elderly person receives a payout of \$24,000 on a half-yearly basis in June 2018, the amount (\$24,000) will be apportioned into six months, i.e. \$4,000 per month for the six-month period starting from July 2018. Elderly persons should make honest declaration of their monthly income and asset situation. Otherwise, all payments granted on the basis of incorrect declarations will be taken as overpayment and will be duly recovered.

Q5. For elderly couples, is it a requirement that both the husband and wife have to participate in the annuity scheme for the one-off lump-sum or instalment premium payment to be excluded from OALA's asset test?

A5. If an OALA applicant is married, he/she should declare the income and asset of the couple even if his/her spouse has not yet reached the age of 65. The Social Welfare Department will assess whether the applicant meets the relevant income and asset requirements with reference to the prescribed limits for couples. Whether both parties of the couple or just one party participate(s) in annuity scheme, the arrangements set out under Q&A 1 will apply.

Q6. If an elderly person surrenders the annuity scheme, will his/her eligibility for OALA be affected?

A6. If an elderly person surrenders or partially surrenders the annuity scheme, the surrender value (if any) will be treated as asset. Under such circumstances, he/she should immediately report the changes to SWD. If the total asset value of the elderly person exceeds the prescribed limits, he/she will not be eligible for OALA. Elderly persons should make honest declaration of their monthly income and asset situation. Otherwise, all payments granted on the basis of incorrect declarations will be taken as overpayment and will be duly recovered.