CHAPTER 1

Chapter 1: The Myth That Centrelink Has Your Back

There is a belief so common among Australian pensioners that it has become almost invisible. It sounds reasonable. It feels responsible, even. The belief is this: *the government knows what I am entitled to, and if something were wrong, they would tell me.*

That belief is costing some pensioners thousands of dollars a year. And the government has the audit to prove it.

Why 'The Government Will Sort It Out' Is the Most Expensive Belief a Pensioner Can Hold

I want to tell you something that took me longer than it should have to fully accept. Centrelink is not your advocate. It is an administrator. The distinction sounds small. In practice, it is the difference between receiving every dollar you are owed and quietly going without.

The Age Pension system processes payments for approximately 2.67 million Australians[1]. The machinery behind it costs $62.2 billion per year, representing 8.4% of the entire federal budget[1]. At that scale, the system is not designed around your individual circumstances. It is designed around rules, thresholds, and automated calculations. When those calculations are wrong, the system does not necessarily know. And when it does not know, it does not call you.

> Centrelink will recover an overpayment from you. It will rarely volunteer that it has been underpaying you.

The assumption that "someone is checking" is understandable. Most of us grew up trusting institutions. We paid taxes, we followed the rules, we expected the system to be reciprocal. But reciprocity is not how Centrelink is structured. Its compliance mechanisms are far better at identifying overpayments than underpayments. The pressure flows one direction.

Kate Allingham, CEO of Economic Justice Australia, captured this precisely:

> "Accessing a social security system should not feel like a high-stakes game of roulette."

But for many pensioners, that is exactly what it feels like — particularly in 2026, when rule changes, deeming rate adjustments, and enhanced data-matching have all landed within months of each other. The pensioner who assumes the system is handling things correctly is the one most exposed when it is not.

The $5 Billion Error Scandal: What the Centrelink Payment Accuracy Crisis Actually Means for Individual Accounts

In January 2026, the Australian National Audit Office released a performance audit that should have made front-page news in every state. Between July 2021 and June 2024, Services Australia issued an estimated **$5 billion in incorrect Age Pension payments**. Of that total, $3.67 billion were overpayments and $1.33 billion were underpayments[1].

Read that again. $1.33 billion in underpayments. That is money owed to pensioners that was never paid.

> **$5 billion** in incorrect Age Pension payments over three years — $1.33 billion of it underpaid to pensioners who never received what they were owed.[1]

The audit also found that almost 75% of errors were caused by undeclared or incorrectly declared assets — meaning most of the problem originates not with system failures alone, but with a combination of reporting gaps and processing errors[1]. One specific IT error caused 175,032 pension recipients to be overpaid an estimated $37 million because superannuation assets were incorrectly excluded during assessment when transferring to the Age Pension[2].

Matt Grudnoff, Senior Economist at The Australia Institute, described what happens when these errors are eventually discovered on the overpayment side:

> "People can be presented with debt notices that can seem insurmountable."

But the underpayment side is equally damaging, just quieter. A pensioner who was owed $1,500 more per year and never received it does not get a notice. They simply go without.

What does this mean for your account specifically? It means you cannot assume your current payment is correct. It means a payment you have received for two years without question may still be wrong — either too high (which creates a future debt risk) or too low (which means you have already lost money). The system's scale means your individual file is reviewed by automation first and humans only when something flags. If nothing flags, nothing changes.

> **Case:** During the 2021–2024 period, a technical error in Centrelink's system excluded superannuation assets from the assessment of 175,032 pensioners transitioning to the Age Pension. Each of those individuals was later identified as having been overpaid. They were not informed proactively. The discovery came through audit, not through any individual review.[2]

Three Types of Pensioners — and Only One of Them Consistently Receives What They Are Owed

After years of working with and listening to older Australians navigate this system, I have come to see three distinct patterns. These are not income levels or asset brackets. They are behaviours.

The Passive Pensioner trusts that Centrelink has the correct information and that payments are right because they have been the same for months. They do not log into myGov unless they receive a letter. They do not check whether their supplements are active. When the deeming rate changes, they notice the payment change but assume it was automatic and correct. They are the most common type, and they are the most vulnerable.

The Anxious Pensioner knows something is probably wrong but does not know what to do. They read newspaper headlines about Centrelink crackdowns and rule changes, feel a spike of worry, and then do nothing concrete because they do not know what action to take. The anxiety is well-founded. The paralysis is costly. They are the reader this book is written for — not because you will stay anxious, but because anxiety is a signal that your instincts are right. The system is complicated, the rules do change, and the stakes are real.

The Operator treats their pension like a small business. They have a calendar of Centrelink review dates. They know what their current payment rate is, what supplements they receive, and when the next indexation cycle occurs. When a deeming rate changes, they check the calculation themselves. They do not assume someone else is watching. They are watching. This group consistently receives what they are owed, avoids debt recovery surprises, and is not caught off guard by rule changes.

The research supports this pattern. Approximately one in three Australians who check their Age Pension eligibility through a retirement specialist tool end up qualifying — and roughly 75% of those eligible are not currently receiving Centrelink benefits[3]. The money exists. The entitlement is real. The gap is information and action.

> The Operator is not wealthier or better educated than the Passive Pensioner. They simply decided that knowing their own entitlements was their responsibility — not Centrelink's.

In the pension system as it actually operates in 2026, the Operator wins. Not because the system rewards them, but because the system's errors are neutral. They affect Passive and Operator pensioners equally. The Operator catches them. The Passive Pensioner does not.

What This Book Will Do and What It Will Not Do: A Straight Contract with the Reader

I am not a lawyer, and this book is not legal advice. I am not a financial adviser, and this book is not a financial plan. What I am is someone who has spent years understanding how this system works, watching where pensioners lose money, and translating complex rules into plain action.

Here is what this book will do. It will explain exactly how the pension payment system works, in plain numbers. It will show you where the most common and most expensive errors occur. It will walk you through every area where pensioners leave money on the table — supplements not activated, concessions not claimed, nominations not lodged. It will give you a 12-month action calendar so that nothing important catches you by surprise. And it will give you enough understanding of the rules that you can ask the right questions, even if you ultimately deal with Centrelink yourself.

What this book will not do is pretend that a single read covers every personal circumstance. Complex situations involving mixed assets, business interests, or contested estates may need professional guidance. Where that applies, I will say so plainly.

The contract is simple: you give this book your attention for fifteen chapters, and I give you the clearest, most accurate account of the Age Pension system currently available in plain language. No jargon without explanation. No claims without evidence. No false reassurance.

> **Your activation step for this chapter:** Log into myGov right now — or within the next 24 hours — and check the payment rate listed on your Centrelink record. Write down the exact fortnightly figure. In Chapter 2, you will learn how to verify whether that number is correct. If you have never done this before, do not worry. It takes four minutes.

KEY TAKEAWAYS

- Centrelink is an administrator, not an advocate. Its systems are better at recovering overpayments than identifying and correcting underpayments.
- Between 2021 and 2024, $1.33 billion was underpaid to Age Pension recipients — money owed but never delivered[1].
- The most common cause of payment errors is undeclared or incorrectly declared assets — a reporting problem, not always a system problem.
- Three types of pensioners exist in this system. Only one — the Operator — consistently receives every dollar they are owed.
- Roughly 75% of Australians who qualify for the Age Pension are not currently receiving it, based on eligibility checks[3]. Underclaiming is the norm, not the exception.

But here is the question that the next chapter has to answer: if your payment rate is wrong, how would you even know? Understanding that requires understanding how the pension is actually calculated — and the two tests that determine your number, down to the dollar.