



Minister for Housing and Minister for the Status of Women

Media Release

Government further reduces deeming rate

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The Australian Government will further reduce the upper deeming rate from 5 per cent to 4 per cent from 26 January 2009.

Tanya Plibersek, Acting Minister for Families, Housing, Community Services and Indigenous Affairs, announced the change which reflects the impact the global financial crisis is having on returns on pensioners' investments.

The upper deeming rate will decrease from 5 per cent to 4 per cent for the balance of financial investments over \$41,000 for single pensioners, or \$68,200 for a couple. The lower deeming rate will remain at 3 per cent for balances up to these amounts— this rate was reduced in November last year.

The change means part rate pensioners paid under the income test, with financial investments mainly in term deposits, shares, managed investments and other accounts, may receive an increase in their pension payments, reflecting a reduction in their assessable income.

The change follows a lowering in the upper deeming rate from 6 to 5 per cent, and in the lower deeming rate from 4 per cent to 3 per cent on November 17, 2008.

Payments affected by the deeming rate include means tested pensions, such as the Age Pension, Disability Support Pension, Carer Payment, and Veteran Service Pensions, income support allowances and supplements, such as the Parenting Payment and Newstart, paid by Centrelink and the Department of Veterans' Affairs.

The deeming rules are used to assess income from financial products and are set to realistically reflect returns on investments.

Recent events in financial markets have resulted in decreased returns on deposits and other investments, so we have adjusted the social security system accordingly.

The Australian Government has taken a number of other steps recently to ease the financial pressure on pensioners, including delivering a \$4.8 billion down payment to Australia's four million pensioners, seniors, carers, people with disability and veterans.

In October, the Government instructed Centrelink to update the value of pensioners' listed securities and managed investments, following significant changes on financial markets.

As a result around 370,000 people received an average increase of \$4 a fortnight and, in some cases, the increase was more than \$100 per fortnight.

The Government will continue to take decisive action to uphold the integrity and fairness of the social security system in the face of on-going events in financial markets and the wider economy.