

Create a fair and transparent method to set deeming rates and with a measured transition in line with regular indexation.

Overview

- Deeming rates are used as part of the Age Pension income test to determine eligibility for the Commonwealth Seniors Health Card and to determine co-contributions for aged care services.
- NSA welcomed the commitment to raise deeming rates modestly in line with indexation after the three-year freeze was lifted from July 2025.
- However, we are concerned that if interest rates remain high and government quickly reverts to the old method used to set deeming rates, there could be significant financial impacts on older people:
 - hundreds of thousands of full and part pensioners would experience a significant cut to their pension;
 - some Commonwealth Seniors Health Card holders will lose this benefit; and
 - aged care co-contributions will increase subject to means testing.

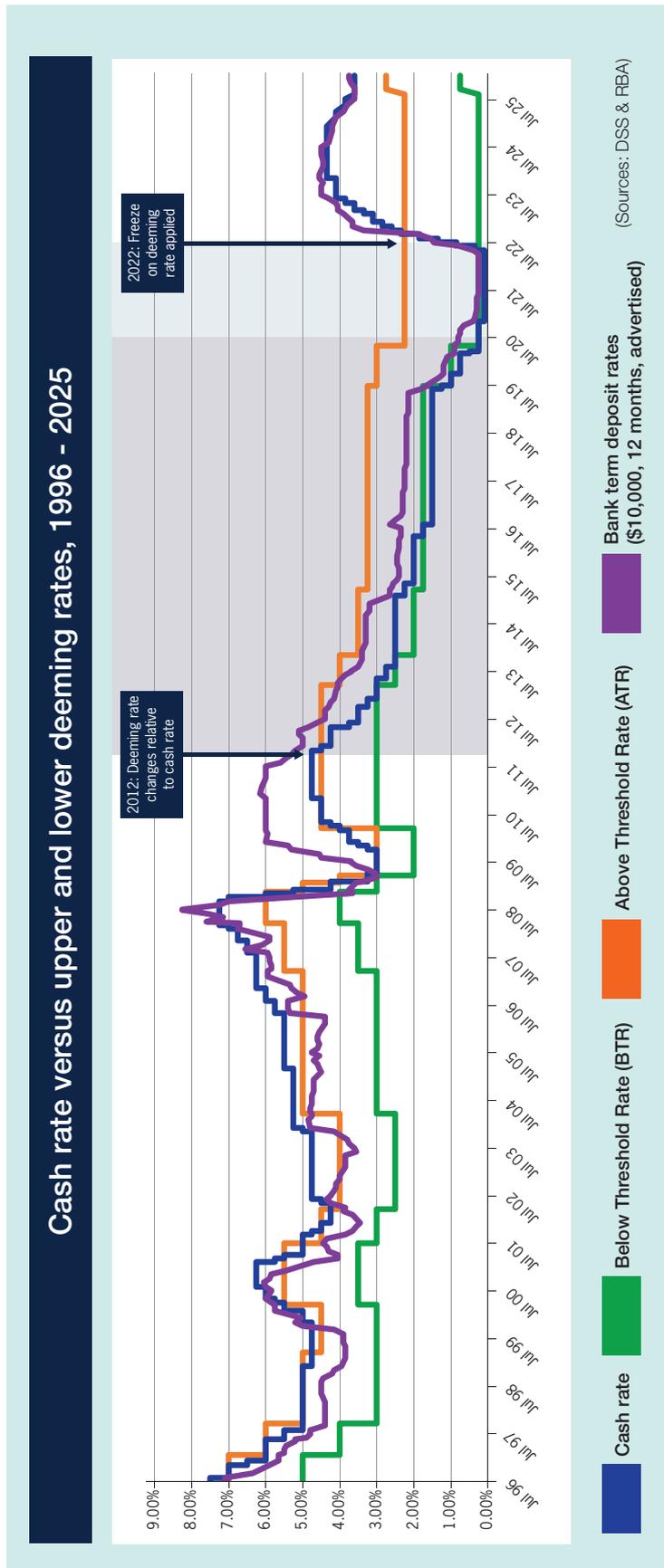
WHAT ARE WE CALLING FOR?

- Restore confidence among retirees by government setting a fair and transparent rate for deeming and move in a measured manner towards this over time.
- The upper deeming rate should track in line with average one (1) year term deposit rate (which roughly tracks with the RBA cash rate – [see overleaf](#)). This would incentivise people to hold savings in higher yielding investments, such as superannuation.
- The lower deeming rate should reflect general transaction bank account rates (not term deposit rates). This would ensure older people are not penalised when holding less than the threshold (currently \$64,200 single and \$106,200 couple) in accounts that typically attract no interest because of the many conditions these impose.
- This new method should be phased in incrementally in line with indexation of the Age Pension in March and September until inflation and the cash rate moderate.

Budget impact

- This would result in a modest saving to government during the transition without having a significant impact on pensioners. Any short-term savings should be reinvested into other measures to support pensioners.





Comparison of RBA Cash Rate, deeming rates, and term deposit rate.
Data source [RBA](#), [DSS](#).