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Cut pensioner deeming rates – National Seniors Australia

Leading advocacy organisation National Seniors Australia has called for deeming rates to be cut in line with record low interest rates announced by the Reserve Bank.

Deeming rates have not been adjusted since 2015 despite interest rates falling from 2.25 per cent to the current record low of just 1.25 per cent.

Pensioners relying on income from bank deposits are getting hit twice. Firstly, from reduced income from deposit investments and then by again by deeming rates that don't reflect lower interest rates but which are applied against income to determine the level of pension they will receive.

National Seniors Chief Advocate Ian Henschke said it was almost impossible for pensioners to generate income from bank deposit investments that matched the rate of income they were deemed to be earning.

"For example, one of the big banks today is offering a term deposit rate of 2 per cent for amounts above \$50-thousand and the interest paid only at the end of the term.

"However, a single pensioner is deemed to be earning 3.25 per cent for the same amount, an amount the bank is offering just 2 per cent.

"This is why pensioners are contacting us saying the government needs to cut the deeming rate," Mr Henschke said.

Mr Henschke said it was time the government reviewed deeming rates to bring them in line with interest rates.

"Current deeming rates are now significantly out of alignment with the lower income generated by bank deposit investments.

"However, seniors' eligibility for the Age Pension and the pension amount they receive is still subject to those deeming rates," Mr Henschke said.

"It is not fair to apply a deeming rate that was set in 2015 to a pensioner's bank deposit income which has dropped significantly as a result of the RBA's decision to cut to a record low," he said.

Following the Reserve Bank of Australia's decision in 2015 to lower the official cash rate to what was then an historic low of just 2.25%, the government reduced the deeming rate as well.

Announcing the decision, the then-Federal Minister for Social Services, Scott Morrison, said "This additional investment will mean more in the pockets of pensioners."

"As Prime Minister Mr Morrison should again act and review the growing deeming gap and the financial hit it is having on pensioners," Mr Henschke said.

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