

FACT SHEET

Deeming

What is Deeming?

Deeming is the method used to determine assessable income from various financial investments held by applicants and recipients of Government Income Support (GIS) payments and Concession Cards such as the Commonwealth Seniors Health Card. It is also a method used to determine fees payable for assisted residential aged care.

Financial investments include, but are not limited to the balances of all types of accounts with any financial institution, cash, shares, managed investments, money lent, friendly society/insurance bonds, bullion and in certain circumstances, superannuation, income streams and gifts.

Deeming is a tiered interest rate system that applies to the total market value of financial investments held. For couples it is usually their combined financial investments but can depend on whether the support payment is a pension or an allowance. The rates are reviewed regularly and may be increased or reduced. Current rates can be obtained by phoning Financial Information Desk (FID) on 1300 020 110.

The tier thresholds are adjusted annually. Full details can be found at the Department of Human Services (DHS) website, www.humanservices.gov.au, by phoning its Financial Information Service (FIS) or FID.

It is assumed financial investments earn the deemed rates regardless of what is actually earned. If a higher rate is achieved the extra earnings will not affect the amount of the income support payment. If a lower rate is paid the applicable deeming rate will still apply for assessment.

Financial Institution Accounts

Financial Institutions are not under any obligation to pay the current deeming rates on any accounts. Some institutions do offer rates similar to the single deeming rates on accounts with special conditions that are available to those on GIS. This is a commercial decision. On-line accounts may offer rates that are greater than deeming rates.

GIS recipients with relatively small amounts in financial investments may not be affected by deeming. They still could benefit by seeking to get at least the deeming rates.

Opening an Account

Identification is required when opening a new account. Even if accounts are already held with the same institution further identification may be required.

Tax File Numbers (TFN)

Income tax will be deducted at the highest marginal tax rate if the payer of interest or dividends is not advised of:

- the TFN of the investor/s or accounts holder/s; or
- the exemption status of the investor/s or account holder/s

Other Financial Products

Not everyone is affected by deeming and features of products not paying at least the deeming rate of interest may be more appealing and suit the investors needs more effectively. However, the effects of deeming and obtaining optimum rates of return should not be overlooked.

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Among investments that may be suitable are daily use savings accounts, cheque accounts, on-line accounts, term deposits, shares, managed investments, immediate annuities and other income stream products. FID has a range of publications explaining various investments and provide further information to assist with these choices.

GIS payments are not reduced as a result of earning more than the deemed rate of return. Therefore maximising their income is of benefit to the GIS recipient. Be aware however, that higher returns may mean higher risk.

The Australian Taxation Office (ATO) bases its assessment on the actual income earned, not an assumed (or deemed) rate and the taxation implications should be taken into account when considering any investment.

The Choice is Yours

Financial Institutions offer accounts with different features. These may include:

- passbook, cheque or statement accounts;
- phone, internet and ATM access;
- no account fees or government charges;
- interest calculated either on daily balance or minimum monthly balance basis;
- interest rates may be flat or tiered - similar to deeming rates;
- interest credited monthly, quarterly, half yearly or annually;
- regular payments credited to or debited from the account;

Investors should choose an account which provides the features they require. Asking questions and reading the product information before selecting a suitable account is recommended.

Many financial institutions offer similar types of accounts so shop around.

Other assets subject to deeming

Information on financial investments can be found on the DHS website or by phoning FIS or FID. Those mentioned in this publication are not an exhaustive list. Cash held in safe custody or at home, precious metal bullion and gifts outside the limits of the gifting rules are among other assets subject to deeming.

Investing with Safety

All investments have degrees of risk. However, institutions which have government supervision are among the safest investment providers available.

Banks, building societies, credit unions and most members of the Superannuation industry are regulated and supervised by the Australian Prudential Regulation Authority (APRA).

Before investing, investors should satisfy themselves as to the level of security of the institution.

Hiding money in the house may be the greatest risk. Consumers risk loss through fire, theft, natural disaster or even worse, also suffer personal injury if a burglary or home invasion were attempted.

