

## **Continue to freeze deeming rates while interest rates remain high and use this time to create a fair and transparent method for calculating deeming rates in the future.**

### **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.
- Since 2012, government has undermined confidence among retirees by failing to reduce deeming rates in line with previous methodology (prior to 2012 the upper threshold followed the RBA cash rate followed the RBA cash rate – see Figure 3 for details).
- While the Federal Government periodically reduced deeming rates after 2012, retirees viewed this only occurring as result of political pressure. There is no logical basis for the change in methodology in 2012, except to reduce budget outlays.
- Older people welcomed the commitment to freeze deeming rates until July 2025, but with the cash rate higher than the upper deeming rate, there is a risk that when the freeze ends, a return to the post-2012 methodology will mean:
  - Hundreds of thousands of pensioners will have their pensions cut
  - Some Commonwealth Seniors Health Card holders will lose this benefit
  - Aged care costs will increase for seniors subject to means testing.

### **WHAT ARE WE CALLING FOR?**

- Continue to freeze deeming rates while interest rates remain high and use this time to create a fair and transparent method for calculating deeming rates in the future.
- The previous method (pre-2012), where the upper rate mirrored the RBA cash rate and the lower rate was a proportion of this, would be a fair approach. With the RBA cash rate high, any change to the deeming rate should be phased in incrementally when indexation of the Age Pension occurs in March and September.

### **Budget impact**

- Returning the deeming rate to the pre-2012 methodology would result in a modest saving to government via a small reduction in pension payments and other benefits depending on the RBA cash rate at the time. Any savings to government should be reinvested into other measures that are targeted at those impacted.

