**DM6759 SA Podcast - Deeming Transcript**

Kirsten: Hello and welcome to a Services Australia podcast. Today we're going to talk about deeming.  
It's a topic that some people can find confusing, but it really doesn't need to be. Deeming rates are changing and if you're receiving a payment from us, like the age pension, it's important that you understand how the changes could affect you.

I'm sitting down with Services Australia spokesperson general manager Hank Jongen - Hi, Hank – and today we're going to demystify deeming.  
But before we get to the changes, Hank, what is deeming?

Hank: Well, look, it's actually a very simple principle when you think about it there is a set of rules that are used to work out income from your financial assets and investments.  
And it's based on the principle that these assets provide a source of income.  
So what we do is we add that income to your other income across your payment area.

And what we're talking here is about financial assets, which can include bank accounts, shares, managed funds, loans, some gifts, etc.  
And basically it assumes that you receive a certain level of income from those investments and it then applies that to your payment.

But it also has some advantages for the individual because what it means is that any interest that you receive that's higher than the deeming rate doesn't affect your payment, which means you can focus on the best return for your investments without it actually affecting your payment.

Deeming doesn't affect family tax benefit either because it's calculated on the basis of your taxable income.

And of course, the current deeming rates, they do vary from time to time, they've just been changed for example. Best place to find out that information is simply to go to our website.

Kirsten: So why are the deeming rates changing?

Hank: Well, look, the deeming rates have been frozen since the 1st of July 2022 and that was set at a much lower rate. And this was part of the government's response to COVID at the time. But of course, since then, people are getting better returns on their investments.

So what the government's now doing is gradually increasing those deeming rates to better reflect the returns that people can earn on their investments.

Kirsten: And why is it important for people to understand this? Is it something that they could notice? I suppose?

Hank: Well, look, it's important to understand it simply because you can appreciate the base on which we're assessing your eligibility. We do all of the calculations automatically. You don't have to think about it.

What you can do is focus on your own investments and consider what sort of returns you're getting with the comfort of knowing it's not going to affect the rate of payment.

Kirsten: And I guess that's why it's important to keep it at a steady rate because then things don't go up and down. People don't have to worry about their payment.

Hank: Oh, look, that's absolutely right. And that's another advantage of course. You think about it, if you've got shares and we didn't apply deeming rules, you'd have to tell us every time your shares go up and down. Now that's no good for you and it's no good for us either, hence the deeming rate.

It deems a certain level of income that you're going to receive and what you actually receive becomes irrelevant.

Kirsten: But people still should tell us if their circumstances change so that we know where their income is coming from.

Hank: Oh, look, that's absolutely right. Because what we're talking about here is things like shares, investments, etc. And of course, if there's been a significant change in the actual assets that the deeming rate is applied to, of course you do need to let us know.

Kirsten: Hank, as I mentioned at the beginning, the deeming rates have changed. Can you tell me what the changes are?

Hank: Yes, both the lower and higher thresholds, and I'll explain what they mean later, have increased by .5%. So currently the lower threshold is .75% and the higher threshold is 2.75%.

Kirsten: So where did deeming rates come from?

Hank: Well, look, essentially they're set by the Minister for Social Services and basically they simply reflect how the markets are going and the minister makes his or her decision on the base of expert advice.

Kirsten: And why has it changed?

Hank: Well, again, basically the rates were set back in 2022 in in line with the pandemic and what was happening at that time.

Since then they've not changed, but since then the markets have improved and investors can expect a higher return on their investments. So basically what the government's doing is introduced A graduated increase in deeming rates to better reflect those returns on investments.

Kirsten: People listening might hear those percentage rates and think about those limits that you've just mentioned and get a bit worried that they've got to do something special. Is that something that they need to apply or, or do you do THAT?

Hank: No, all of this is done automatically. Look, there's a couple of things I need to say. Firstly, deeming rates only affect those people who are on a part rate of pension. If you're on a maximum rate of pension, it's not having an effect.

And we know that there's around only 18 percent of pensioners that are subject to the income test. So that's another reason you can just feel reassured. Chances are you're not affected.

The increase in deeming rates also coincides with indexation increases. So most people will still receive an increase in their rate of pension.

Kirsten: So, I guess the message is then not to be too worried about this. Is that what you're saying?

Hank: Absolutely. Look, it is done automatically. You don't need to ring us because the process will be automatically updated.

Kirsten: Do people still need to tell you if their circumstances change or they have perhaps a new investment or something's happened financially with their income? Do people still need to report that?

Hank: Yes, you don't need to report any increases on the return of your investments, but if your investments themselves actually change, then you do need to let us know so that we can more accurately apply the deeming rate.

Kirsten: So Hank, we've talked about the percentages that have increased. What did you mean when you mentioned higher rates and lower rates?

Hank: Right. For a single person, the 1st $64,200 of their assets are deemed at that lower rate of 0.75%. Anything beyond that is deemed at 2.75%. And for a people the 1st $106,200 is at that lower rate and then the higher rate kicks in.

Kirsten: So we all know people that are on pensions, our our parents, perhaps people's grandparents. Do they need to call us to find out about this? What do they need to do?

Hank: Absolutely not. Look, we're currently applying your deeming rates. We will automatically update the deeming rates. There's no need for you to contact us. It's an automatic process.

Kirsten: But if people want to find out more, is there somewhere they can go?

Hank: Absolutely. Our website, servicesaustralia.gov.au and look for deeming. There's a full explanation of how it works as well as the updated deeming rates. There's a wealth of information on their website.

Kirsten: So they can go to the website, they can look at these new rates, they can look at the limits and really get a good understanding themselves of of how it's going to affect them. Do you think?

Hank: Yes, that's right. But look, you know, it gets back to what I said before. It's a very simple proposition. Rather than you having to report your assets and the return on your assets and investments on a regular basis, we apply a deeming rate.It's easier for you and it's easier for us and that deeming rate is set usually at a level where people can expect a higher return on their investments.

Kirsten: Well, that's great. Thanks so much for chatting to us today Hank, you really have made it a bit clearer for everyone about deeming and, and demystified the process. And yes, as you said, if you have any more questions, have a look on the website. And we look forward to seeing you in the podcast studio again soon.

Hank: Thank you anytime.