

Pensions and deeming.

If you're on a pension, then 'they' have made a few changes to the rules that will affect you and the amount of pension you receive. From the 7 November, 2008, the deeming rate dropped from 4 per cent to 3 per cent for the first \$41,000 of a single pensioner's financial investments and for the first \$68,200 for a couples'.

It also decreased from 6 per cent to 5 per cent for the balance of your financial investments over the amounts mentioned above. The changes were included in payments made on and after the 4 December, 2008. DVA payments affected by the deeming rate change include service pension and income support supplement. The lowering of the deeming rates mean that part rate pensioners paid under the income test, with financial investments mainly in term deposits, shares, managed investments and other accounts, may receive an increase in their pension payments, to reflect the reduction in their assessable income.



Veterans already paid at the maximum rate will have no change to their pension payments.

The DVA will update the value of pensioners' listed securities and managed investments. As a result, on November 20, nearly 18,000 DVA income support pensioners will receive an average increase of \$10 per fortnight. Individual results are heavily dependent on individual circumstances.

DVA pensioners who would like to discuss the outcome of this decision should contact the Department on 133 254.

So! What is deeming??

The deeming rules are a central part of the social security income test. They are used to assess income from financial investments for social security and Veterans' Affairs pension/allowance purposes. Deeming assumes that financial investments are earning a certain rate of income, regardless of the amount of income they actually earn. If pensioners earn more than these rates, the extra income is not assessed.

The main types of financial investments are:

- bank, building society and credit union accounts and term deposits
- managed investments, loans and debentures, and
- listed shares and securities.

Deeming is a simple and fair way to assess income from financial investments, as:

- people with the same amount held in different financial assets receive a similar assessment.

- it reduces the extent to which income support payments fluctuate.
- it increases incentives for self-provision because returns above the deeming rate are not counted as income, and,
- it simplifies choice of investments as it encourages people to choose investments on their merits.

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The current rates.

The new deeming rate of four per cent applies to the first:

- \$41 000 of a single customer's total financial investments
- \$68 200 of a pensioner couple's total financial investments
- \$34 100 of total financial investments for each member of an allowee couple.

A deeming rate of six per cent applies to financial investments above these amounts. The thresholds at which the higher deeming rate begins to apply are indexed in line with the CPI in July each year.

How deeming works.

Investment decisions should be made taking into account the person's full circumstances. While all pensioners and allowees can be expected to hold some savings on an at-call basis, as the amount of savings increases, they should also be expected to have a more diverse portfolio of investments. Many safe and readily available financial products will actually meet or exceed deeming rates.

The lower deeming rate reflects the expectation that pensioners will generally choose to have savings in investments with very high accessibility and safety, but which tend to provide relatively low income.

The higher deeming rate reflects the expectation that people with higher amounts of savings should seek higher returns on some of their savings, either by accepting relatively lower accessibility (for example term deposits) or by accepting some more risk (for example shares).

The deeming rules create incentives for investors to earn more income from their savings. If pensioners and allowees respond to the deeming rules by investing to get higher returns (higher than the 6%), their total income will increase. The introduction and application of the deeming system has led to an increase in the total income of the pensioner population.

Deemed income is calculated by multiplying the total value of a customer's financial investments by the deeming rates. Deemed income is then added to any other income (for example rental income) in order to work out the customer's payment under the income test.

Single pensioners whose only source of income is from financial investments can have up to \$73,466 in financial investments (\$126,733 for pensioner couples) and still receive the full pension under the income test. This is because of the income test free area. The generous pension income test benefits all pensioners. The income test



is designed to encourage people to supplement their income support payment with private income.

Monitoring the deeming rates

The deeming rates are monitored on an ongoing basis. Any changes made to the deeming rates are usually made to coincide with the indexation of pensions, to reduce disruption to pensioners by reducing the number of changes to their payments.

Changes are only made if a consideration of a range of relevant factors that determine the deeming rates indicates that a change is appropriate. However, changes can be made at any time if there are very significant movements in the factors taken into account.

Financial institutions

The Australian Government's policy is that it should not regulate the terms and conditions of bank accounts; rather to ensure that competition between banks and financial institutions, such as credit unions and building societies, results in people being able to shop around for the banking products that meet their needs.

Financial institutions decide the interest rates they offer on their various accounts. Decisions about fees and interest rates charges represent commercial decisions taken by financial institutions in the context of a very competitive marketplace. While many financial institutions link the interest rates on accounts offered to seniors to generally reflect deeming rates, this is a result of market forces applying to financial institutions to retain people, not at the direction of government.



General availability of deeming rates.

Returns equal to or higher than the deeming rates are available on a wide range of conservative investments such as at-call accounts, term deposits, cash management accounts, and Internet-based savings accounts. Many of these accounts may pay more than the deeming rates while retaining the accessibility that many pensioners need.

However, conditions for these accounts vary according to the financial institution offering them, so it is important that people should first talk to their financial institution when choosing these products. If still unhappy, people should shop around financial institutions for the account that best satisfies their needs.

Bill and Sam, two elderly friends, met in the park every day to feed the pigeons, watch the squirrels and discuss world problems.

One day Bill didn't show up. Sam didn't think much about it and figured maybe he had a cold or something. But after Bill hadn't shown up for a week or so, Sam really got worried. However, since the only time they ever got together was at the park, Sam didn't know where Bill lived, so he was unable to find out what had happened to him.

A month had passed, and Sam figured he had seen the last of Bill, but one day, Sam approached the park and - lo and behold! - There sat Bill! Sam was very excited and happy to see him and told him so.

Then he said, 'For crying out loud Bill, what in the world happened to you?' Bill replied, 'I have been in jail. "Jail?" cried Sam. 'What in the world for?' 'Well,' Bill said, 'you know Sue, that cute little blonde waitress at the coffee shop where I sometime go?' 'Yeah,' said Sam, 'I remember her. What about her?' 'Well, one day she filed rape charges against me; and at 89 years old, I was so proud that when I got into court, I pleaded 'guilty' 'The bloody judge gave me 30 days for perjury'!!!!'

Anzac day 2009, Hobart

If you're holidaying (or perhaps live) in Hobbit town over Anzac Day this year, the following formalities have been organised.

The Dawn Service will begin at 0600 at the Domain/Cenotaph which is just NE of the CBD. A bus will run from there to the Navy Club (Davey St) for the Gunfire Breakfast which will start at 0730. The main march will start from outside the club at 1100 and is an easy march. The Navy Club will have dining facilities open for the day at the conclusion of this march.

Further information can be obtained by ringing Gavin White on 0438 053 331.



Concerns.

We received a list of "Concerns" from John Haynes. It has been developed by the Australian Veterans and Defence Services Council, (AVADSC), NSW Advisory Committee. It was initiated in 2002 to record matters raised during the development of the Military Rehabilitation and Compensation Act (MRCA) at meetings of Ex-Service representatives in the Department of Veterans' Affairs (DVA) Canberra during 2002/3. Other matters of concern from before and after this time have been added and continue to be added or deleted as conditions change.

You can read the full list [HERE](#).