

ADJOURNMENT

Pensions and Benefits

Mr ROBERT (Fadden) (4.30 p.m.)—I rise to express my bitter disappointment at what the government has done today in increasing both the lower and higher deeming rates without any adjustments to the thresholds. This will hurt veterans, as well as affecting other means-tested pensions, income support allowances and supplements paid by Centrelink and the Department of Veterans' Affairs. For the majority in this government, who know little about deeming and seemingly do not care: the deeming rules are used to assess income from financial investments for determining the amounts of social security and Veterans' Affairs pensions. This is based on the premise that the higher the personal investments of an individual, excluding assets like their home, the higher the assessable income and the lower the pensions they receive.

The premise behind deeming is that financial investments held by pension holders are 'deemed' to earn a certain rate of income, regardless of the actual amount earned. If pension holders can earn higher amounts of income above the deemed rate, this higher amount is not used to assess income for pension purposes. Thus deeming is a simple and fair way to assess income, providing an incentive to invest and earn and encouraging people to choose investments based on merit. To calculate assessable income, deeming rates are applied to the total market value of a pension holder's investments. The actual return in capital growth, dividends or interest is not used. Deeming thresholds are indexed in line with inflation and can generally occur in March and September in line with pension indexation increases.

The previous deeming rate was 3½ per cent on the first \$39,400 for a single pension recipient. A deeming rate of 5.5 per cent then applied to all investments above these amounts. The government has moved to increase these rates by 0.5 per cent, which in reality is an increase on the lower rate of 12.5 per cent and on the higher rate of eight per cent.

A pensioner on a maximum single rate of pension earns \$546.80 a fortnight excluding allowances. If they have cash in the bank worth \$100,000, the deemed income was \$4,712. With the government's increase, it is now \$5,212, an annual increase of \$500. This means that a pension holder is deemed to have an annual increase in income of \$500 a year, or \$10 a fortnight. If the pension holder's income is above the threshold of \$132 a fortnight, the pension reduces by 40 per cent for every dollar. Thus, in the example, because the fortnightly income is above \$132, the deeming rate increase leads to an income increase of \$10 a fortnight and thus \$4 a fortnight is lost through loss of pension. That is a loss of \$104 a year from a pension because of the government's change in deeming rate, when the pension holder may not actually be receiving any extra income.

Minister Macklin, in her media release of 14 March, states:

Secure, low-risk bank accounts can currently achieve returns above six per cent.

The NAB indicator rates, as published on their website today, show that the NAB Retirement Account is only paying 5.5 per cent for funds under deposit over \$38,400. On the NAB investment cash management product, you have to deposit over \$100,000 to get six per cent. May I suggest to the minister that many pension holders, including veterans, do not have \$100,000 in their cash management account, as required by the NAB.

The Westpac deposit rates on their website show that the eSaver account has a deposit rate of 5.55 per cent, with a possible bonus interest if no withdrawals are conducted during a month. Their higher account, the Westpac Max-i Direct, will provide over six per cent but slugs \$5 fees for direct deposits, EFTPOS, Westpac ATM withdrawals, cheques and staff-assisted withdrawals. Many pension holders require the fee-free ability to withdraw funds, so perhaps the Westpac example is not the best one.

The changes to the deeming rate disadvantage pension holders. Considering the turbulent financial markets and the state of the stock market, the deeming rate should not increase. The government should defer this until September, when more will be known about the global economy. Increasing the rate hurts the most vulnerable citizens, pension holders and veterans. It shows Labor's true nature, which it demonstrated in trying to axe carers payments and veterans payments. I call on this government, including its Peter principle Treasurer, to review this punishing decision on the nation's most vulnerable citizens.