



# Objectives and Principles for Advice on the Deeming Rates

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# Changes to the deeming rates from 20 September 2025

On 20 August 2025, the Minister for Social Services, the Hon Tanya Plibersek MP, announced an increase to the social security deeming rates on 20 September 2025.

- The lower deeming rate increased from 0.25 per cent to 0.75 per cent. The lower rate applies to financial assets under the deeming thresholds (\$64,200 for singles and \$106,200 for couples).
- The upper deeming rate increased from 2.25 per cent to 2.75 per cent. The upper rate applies to financial assets over the deeming thresholds.

The deeming rates had not been adjusted since 1 May 2020, when they were reduced to their lowest ever levels of 0.25 per cent (lower) and 2.25 per cent (upper) as an emergency COVID-19 measure. The rates were subsequently frozen until 30 June 2025 to assist income support recipients facing cost-of-living pressures as the economy recovered from the impact of the pandemic.

The Minister also announced that in future, the Australian Government Actuary will take on the role of reviewing and recommending appropriate settings for the deeming rates. The Actuary will advise the Minister on the most appropriate rates, guided by the returns that pensioners and other social security recipients can reasonably access on their investments.

In line with stakeholder feedback, changes to the deeming rates will happen at the same time as most pensions and allowances are indexed, on 20 March or 20 September each year. The Government will retain the power to make adjustments to the rates, including during exceptional circumstances or events.

# Objectives and principles

This document outlines the principles the Australian Government Actuary (AGA) will follow in providing advice to the Minister for Social Services (the Minister) on appropriate settings for the social security deeming rates. Further detail on the review methodology and process will be confirmed in a Memorandum of Understanding to be agreed by the AGA and the Department of Social Services (the department).

## Overarching principles for deeming

The legislative framework for “extended deeming” was introduced by the *Social Security and Veterans’ Affairs Legislation Amendment Act 1995* (the 1995 Act). It established deeming as the general method for assessing financial assets and investment income in the social security system, replacing the assessment of actual investment income and the previous “bank deeming” regime that was limited to bank deposits.

The AGA will ensure its advice is consistent with the objectives for extended deeming articulated in the Explanatory Memorandum to the 1995 Act and have been followed by successive governments since that time. The objectives set out in the Explanatory Memorandum are that extended deeming:

- is **simple**, since it replaces numerous rules applying to different financial assets with one set of rules;
- is **fair**, because it ensures that people with the same levels of financial assets receive a similar assessment no matter how those assets are invested;
- is **predictable**, because it reduces the extent to which payments change due to investment performance [*compared to fortnightly assessment of actual investment income*];
- increases **incentives for self-provision**, because returns in excess of the deeming rates are not counted as income and cannot reduce payments;
- simplifies **choice of investments** because, by treating all financial assets in the same way, it encourages people to choose investments on their merits instead of their likely effects on entitlements; and
- puts the means test system on a **sounder, long term footing** as the population ages.

The Explanatory Memorandum stated:

*These rates [the deeming rates] will be reviewed periodically to take into account movements in the financial markets.*

In reviewing the deeming rates, the AGA will consider the **investment returns reasonably available to age pensioners and other income support recipients** and aim to ensure returns equal to the recommended deeming rates can be achieved:

- without **specialised financial knowledge** or levels of **financial literacy** beyond reasonable expectations for affected age pensioners;

- through **readily available investment products** provided by major banks and financial institutions; and
- without investment risks **disproportionate** to the assets reasonably held by affected age pensioners.

## Review process and deliverables

The AGA will conduct a review of the deeming rates twice each year to inform potential adjustments on 20 March and 20 September, coinciding with the indexation of pensions and most allowances.

The Government has committed to announcing any changes to the deeming rates at least one calendar month before they would take effect (20 February for the March indexation day and 20 August for the September indexation day).

To enable the Minister to fulfill this commitment, the AGA will provide its advice and recommendations to the Minister no later than 1 February or the next business day each year for the March review, and no later than 1 August or the next business day each year for the September review.

In conducting each review, the AGA will:

1. analyse the returns available for relevant financial asset classes held by the affected population, based on appropriate financial and economic indicators as determined by the AGA;
  - a. in the interest of transparency, publicly available financial and economic data should be preferred wherever possible;
2. based on administrative data provided by the department, analyse and make an assessment of reasonable asset holdings for cohorts with assets below and above the deeming threshold;
3. consider any broader economic factors or trends that may bear on the appropriateness of particular deeming rate settings in the period before the next planned review;
4. informed by these analyses and the stated principles and objectives for deeming, determine appropriate levels for the lower and upper deeming rates, within the following parameters:
  - a. each deeming rate should be set at an increment of 25 basis points;
  - b. the lower deeming rate must be set at a level above zero; and
  - c. the upper deeming rate should always be set at least 25 basis points above the lower deeming rate.
5. Under the signature of the person occupying the position of Australian Government Actuary, provide in writing to the Minister (copied to the Secretary of the department and the Secretary of the Treasury):
  - a. advice and recommendations on the appropriate level of each deeming rate; and
  - b. a short statement, suitable for public release, explaining the main factors considered in the review and how they have informed the AGA's recommendations to change, or not to change, the deeming rates.

6. Publish the explanatory statement provided to the Minister on the AGA website as soon as possible after the Minister has announced a decision.

The department will provide administrative data and other information to the AGA in the agreed formats and in the agreed timeframes to support each review. The AGA may have regard to this data in considering the types of investment products commonly accessed by affected recipients.

The AGA may seek views from the department, the Treasury or other stakeholders internal or external to government during each review. Reference to stakeholders engaged during a review should be included in the AGA's advice to the Minister and/or the explanatory statement.

The AGA will establish its review methodology in the lead up to the first review for 20 March 2026. It will formally review the methodology 3 years after commencement and every 5 years thereafter, to ensure the methodology continues to reflect the objectives and principles outlined in this document.

In extenuating circumstances (such as economic shock), the Minister may request the AGA to conduct an out-of-cycle review before the next planned review point, with timeframes and process to be agreed between the AGA and the department. Out-of-cycle reviews are expected to be rare.

## Additional guidance for each deeming rate

The overarching intent of the deeming rates is to reflect the investment returns reasonably available to age pensioners and other income support recipients, replacing the need to assess actual investment income.

The two-rate deeming structure ensures all affected recipients can keep a portion of their financial assets in safe and accessible investments, and recognises those with more financial assets have opportunities to seek higher returns through a wider range of investment products.

The AGA will ensure its recommendations are consistent with the intended operation of each deeming rate as described below.

### Lower deeming rate

The lower deeming rate is intended to reflect the returns available from **safe and accessible products** such as bank accounts. The lower rate recognises that it is reasonable for pensioners and other income support recipients to keep a portion of their financial assets in a form they can access for use in day-to-day living and for larger, unexpected expenses if needed.

All recipients affected by deeming are affected by the lower deeming rate, including:

- those whose total financial assets are below the deeming thresholds; and
- those with financial assets above the deeming thresholds.

In developing its recommendations on the lower deeming rate, the AGA will have regard to the financial literacy and investment opportunities available to age pensioners and other recipients in each cohort, and ensure expectations about investment behaviour are reasonable and appropriate.

## Upper deeming rate

The upper deeming rate is intended to reflect the higher returns available from investment products that involve some **reduced accessibility and/or additional risk**, such as longer-date term deposits, shares, and managed funds. This recognises that recipients with more financial assets have a greater capacity to invest in products that do not require funds to be immediately available for everyday use and aim to provide higher returns over time.

Only recipients with financial assets above the deeming thresholds are affected by the upper rate. This cohort can reasonably be expected to have a greater degree of financial literacy and access to a wider range of investment opportunities than recipients whose total financial assets are below the thresholds.

In developing its recommendations about the upper deeming rate, the AGA will ensure any assumptions about recipients' needs and ability to:

- manage risk by diversifying financial investments between investment types;
- actively manage complex investment portfolios; and
- commit funds to investments for fixed periods,

are reasonable and appropriate for affected age pensioners and other recipients.

### *Other considerations*

The AGA will consider an appropriate approach to the treatment of account-based superannuation as an investment product subject to deeming for people of Age Pension age. In doing so, the AGA will have regard to the proportion of people with deemed superannuation products in the affected cohort, given the Superannuation Guarantee is still maturing. The treatment of superannuation within the review methodology may evolve over time.

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## Background information

### What are the deeming rates?

The social security deeming rates provide a fair and simple way to assess the income people can earn on their financial assets for social security purposes.

Australia's social security system is targeted to support those most in need. Means testing applies for most income support payments and benefits and is considered the fairest way to ensure support is targeted to those in the community with the greatest need.

The means test includes an income test and an assets test. A recipient's rate of payment is calculated under both tests, and the one that results in the lower rate of payment is the one that applies for an individual recipient. Free areas (for both income and assets) and taper rates result in a recipient's payment rate being reduced gradually as their capacity to provide for their own living costs increases. This ensures a recipient is always better off with additional income or assets than if they rely solely on income support.

A recipient whose payment rate is determined by the income test is said to be on an *income-tested rate* of payment. A recipient whose payment rate is determined by the assets test is on an *assets-tested rate* of payment.

The deeming rates are an important part of the income test. Deeming assumes people can earn the kinds of returns on their financial assets that are available from simple investments such as bank accounts, term deposits, shares and managed funds. A recipient is assumed (deemed) to earn the amount determined by the deeming rates, regardless of the return they actually earn on their investments. Anything a person earns above the deeming rates does not affect their income support payment rate.

Deeming was introduced in its current form in 1996 to simplify reporting and administrative requirements. It replaces the need for recipients to track and report their actual investment income from different types of financial assets, and encourages them to seek a reasonable rate of return across their financial investments as a whole.

There are two deeming rates, which apply to financial assets above and below certain thresholds. From 20 September 2025:

- The lower deeming rate, currently set at 0.75 per cent, applies to the first \$64,200 of a single recipient's total financial assets, and the first \$106,200 of a pensioner couple's total combined financial assets.
- The upper deeming rate, currently set at 2.75 per cent, applies to any financial investments above these thresholds.

The deeming rates are set by the Minister for Social Services via a legislative instrument under section 1082 of the *Social Security Act 1991*. The deeming thresholds are indexed by movements in the Consumer Price Index on 1 July each year.

## Who is affected by the deeming rates?

Deemed income is calculated for all income support recipients with financial assets, and can affect the rate of all income support payment types. However, the income free areas and taper rates that apply to different payments mean deemed income will only reduce a recipient's payment rate if the following conditions are met:

- The recipient must be on an income-tested rate of payment, meaning the income test produces a lower payment rate for them than the assets test; and
- The recipient's total income – which includes their deemed income together with any other sources of income, such as employment, business, assessable superannuation or a foreign pension – exceeds the income free area for their payment. For example, as at 20 September 2025:
  - For pensions, the income free area is \$218 a fortnight for singles and \$380 for couples combined.
  - For JobSeeker Payment, the income free area is \$150 a fortnight.

As at September 2025, there were almost 5.4 million people receiving an income support payment. Around 823,000 of these recipients had their payment rate affected by deemed income. Age pensioners comprise around 61 per cent of the recipients affected by deeming and tend to experience the largest impact from deeming on their payment rates.